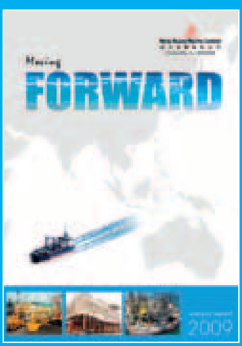
**Beng Kuang Marine Limited**
明 光 海 事 有 限 公 司
(Company Reg. No: 199400196M)

# *Moving* FORWARD

annual report
2009

# Contents






## Cover Rationale

**MOVING FORWARD**

Significant and in line with our company vision of becoming an integrated marine service group with a major presence in the South East Asia, "Moving Forward" on the cover symbolizes our focus and dedication in pushing forward new growth opportunities in the overseas markets arena. BKM will continually strive to seek out viable regional ventures and extend our operations further, beyond the local shores...

# Mission Statement

Being an established service provider of corrosion prevention to the marine, offshore oil and gas industries in Singapore and Batam, Indonesia, our main motivation factor comes from customers' satisfaction via our quality workmanship and services. We aspire to become an integrated marine service group with a major presence in South East Asia. We are motivated to meet our customers' satisfaction with our quality workmanship and services.

# Corporate Profile

Listed on the Singapore Exchange in October 2004, Beng Kuang Marine Limited ("BKM") and its subsidiaries (the "Group") are principally engaged in the provision of Corrosion Prevention ("CP") services, comprising of blasting and painting works, Infrastructure Engineering and fabrication work, Supply and Distribution of hardware equipment and tools to customers in the marine, offshore oil and gas and other industries.

Its track record and reputation for reliability has enabled it to secure appointments as the "Resident Contractor" for vessel hull in several established shipyards in Singapore and Indonesia, Batam, such as Keppel Shipyards, Singapore Technologies Marine Ltd, Drydocks World – Singapore Pte Ltd, PT Nanindah Mutiara Shipyard and PT Graha Trisaka Shipyard in Batam.

Established in 1994, BKM has gained an industry reputation for providing comprehensive and quality solutions to its customers' needs. As a testament to our commitment to quality, our Infrastructure Engineering ("IE") division has been accredited with the ISO9001:2000 certification and has received numerous letters of appreciation from shipyard operators, vessel owners, etc. BKM also provides turnkey engineering services from planning, project management to implementation involving fabrication, corrosion prevention, testing, installation and pre-commissioning of steel work modules and structures mainly for customers in the offshore oil and gas industry.

In June 2007, the Group has acquired a piece of 32.8 hectare land with 450 metres waterfront in Kabil, Batam, Indonesia. The fabrication yard, commenced operation in 4Q2008, has achieved works order of more than S$30 million in 2009. The timely delivery of its 260 man accommodation pipe-lay bage in October 2009, marks a significant milestone for the Group.

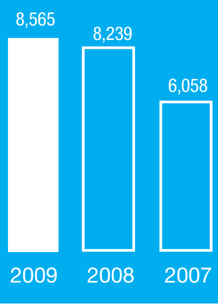
In addition, BKM engages in Supply and Distribution ("SD") of over 400 types of marine hardware equipment, tools and other products under the house brand "Master", all of which are similarly used in the marine, offshore oil and gas, construction and other industries.

In August 2007, BKM has expanded into the new Environment and Resource ("ER") division to engage in water and wastewater treatment and industrial waste management businesses.

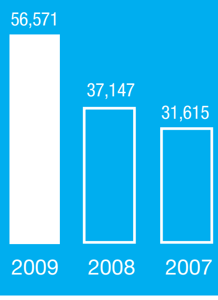
With the recent surge of oil prices, the outlook for the offshore oil and gas sector remains encouraging. With the fabrication yard in Batam, BKM expects to ride on the wave of this marine sector with opportunities for further growth and more importantly, for enhancement of its shareholders' value.

# Financial Highlights

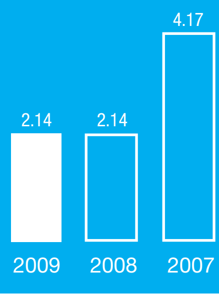
**Attributable Profit** (S$'000)



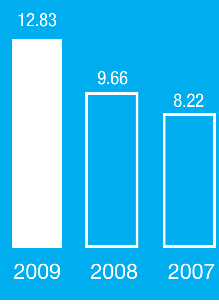

**Shareholders' Equity** (S$'000)




**Earnings per share - Basic** (in cents)




**NAV per share** (in cents)




| OPERATING RESULTS | 2009 | 2008 | 2007 (re-stated) |
|---|---|---|---|
| Revenue | 138,457,972 | 131,456,657 | 95,686,996 |
| EBITDA | 18,919,071 | 16,553,739 | 12,436,586 |
| Pretax profit | 11,478,502 | 10,866,548 | 10,411,357 |
| **Attributable profit** | **8,565,098** | **8,239,057** | **6,058,217** |
| Turnover growth | 5.3% | 37.4% | 35.6% |
| EBITDA growth | 14.3% | 33.1% | 69.0% |
| Pretax growth | 5.6% | 4.4% | 128.3% |
| Attributable profit growth | 4.0% | 36.0% | 58.7% |
| EBITDA margin | 13.7% | 12.6% | 13.0% |
| Pretax margin | 8.3% | 8.3% | 10.8% |
| Net profit margin | 6.4% | 6.4% | 8.1% |
| **FINANCIAL POSITION** | | | |
| Total assets | 138,014,175 | 127,823,998 | 90,469,413 |
| Total debts | 36,527,711 | 43,259,122 | 27,199,641 |
| **Shareholders' equity** | **56,571,110** | **37,147,671** | **31,615,457** |
| Gearing ratio | 47.4% | 62.3% | 54.0% |
| **PER SHARE DATA (in cents)** | | | |
| **Earnings per share - Basic** | **2.14** | **2.14** | **4.17** |
| - Diluted | 2.13 | 2.14 | 4.17 |
| Dividends per share | 0.50 | 0.50 | 0.70 |
| **NAV per share** | **12.83** | **9.66** | **8.22** |
| **SEGMENT RESULTS** | | | |
| **Revenue** | | | |
| Corrosion Prevention | 58,278,259 | 64,246,611 | 38,923,475 |
| Infrastructure Engineering | 57,034,471 | 39,835,732 | 28,546,836 |
| Supply & Distribution | 23,092,660 | 27,305,024 | 28,216,685 |
| Environment & Resource | 52,582 | 69,290 | - |
| **PRETAX PROFIT / (LOSS)** | | | |
| Corrosion Prevention | 5,237,407 | 6,398,917 | 4,440,464 |
| Infrastructure Engineering | 4,730,947 | 3,601,722 | 3,015,873 |
| Supply & Distribution | 1,986,249 | 2,624,233 | 2,499,948 |
| Environment & Resource | (476,100) | (940,412) | 1,131,088 |
| **CAPITAL EXPENDITURE** | | | |
| Corrosion Prevention | 1,433,410 | 8,582,987 | 7,240,002 |
| Infrastructure Engineering | 12,355,325 | 8,723,470 | 5,366,877 |
| Supply & Distribution | 7,425,963 | 98,215 | 898,358 |
| Environment & Resource | - | 44,371 | 44,886 |

# Executive Chairman's Statement

"Despite the volatile conditions of FY2009, the Group managed well and in fact, continued to report a healthy growth in revenue of 5.3% to S$138.5 million. As a result, profit attributable to shareholders improved 4.0% to S$8.6 million."

– **Chua Beng Kuang,** *Executive Chairman*

## Dear Shareholders,

I am pleased to present our annual report for the financial year ended 31 December 2009 ("FY2009"). It has been a challenging 12 months with the turbulent economic conditions and the uncertainties in the financial credit environment. News of order book cancellations and delays have plagued many shipyards.

Despite the volatile conditions of FY2009, the Group managed well and in fact, continued to report a healthy growth in revenue of 5.3% to S$138.5 million. As a result, profit attributable to shareholders improved 4.0% to S$8.6 million.

During FY2009, the Group has completed three large orders in the fabrication yard in Batam. The first contract of value S$21.0 million was from Leighton Holding Ltd, one of Australia's largest development and contracting company. The scope of work involved turnkey Infrastructure Engineering services, which include vessel deckhouse supply, fabrication, installation, testing and commissioning. The second contract value of S$7.8 million involving steel and pipe fabrication was from Punj Lloyd Limited, the second largest engineering and construction company in India. The third contract value of S$1.5 million was from Posh Maritime Pte Ltd for the ship repair work for vessel Alam Jaya II.

While we have achieved positive growth in our Infrastructure Engineering division from our Batam fabrication yard, revenue from Corrosion Prevention division and the Supply and Distribution divisions have dropped marginally because of the global slowdown. However, both divisions played an important role and contributed to the Group earnings.

"With a large portion of our business servicing the offshore oil and gas marine sector, we believed BKM will be resilient and will be able to tide through this rough times and excel. Moving forward, we will continue to focus and target on offshore, oil and gas projects and seek new business opportunities and collaboration to enhance our capabilities and efficiency."

## Moving Forward

With the global economy recovery taking place, oil price has moved to a healthy level and demand for rigs and offshore marine projects have improved over the past few months.

With a large portion of our business servicing the offshore oil and gas marine sector, we believed BKM will be resilient and will be able to tide through this rough times and excel. Moving forward, we will continue to focus and target on offshore, oil and gas projects and seek new business opportunities and collaboration to enhance our capabilities and efficiency.

We will pace ourselves according to the market conditions for expansion and broaden our earning base and remain positive in the longer term outlook.

## In Appreciation

In appreciation for the continuous support of our shareholders, the Board of Directors has recommended a first and final tax exempt one-tier dividend of 0.50 cent per ordinary share for FY2009.

To our management team and staff, I would like to express my appreciation for your hard work, commitment and dedication in the past year. With your support, I am confident that BKM Group will continue to grow from strength to strength in the coming years .

Yours faithfully,

**Chua Beng Kuang**

*Executive Chairman*


# Financial & Operations Review

FY2009 was an exciting year for BKM to register the first year revenue from the fabrication yard in Batam. With the newly added revenue generated from the fabrication yard, the Group managed to achieve 5.3% growth in revenue to S$138.5 million despite the volatile conditions. BKM highlighted its engineering capabilities through the successful completion and delivering of the accommodation deckhouse module for an offshore pipe laying barge.

## Segmental Review

***Infrastructure Engineering ("IE") Division***

The fabrication yard in Batam has brought in new avenue for growth to BKM. The IE division has surpassed the other divisions in revenue growth and will take the lead in shaping BKM's future directions. In FY2009, revenue from IE division rose by S$17.2 million from S$39.8 million to S$57.0 million. This increase was mainly contributed by the steel and pipe fabrication projects from Punj Lloyd Limited in May 2008 and the accommodation deckhouse module from Leighton Holding Ltd in September 2008. The contract with Leighton Holding Ltd was successfully completed and delivered in October 2009. In the second quarter of FY2009, the fabrication yard has also engaged in the provision of ship repair services.

The fabrication yard is currently in its young phase of development, hence the Group will allocate resources to strengthen its infrastructures and facilitating operational competitiveness to attract more marine, offshore oil and gas customers.

***Corrosion Prevention ("CP") Division***

FY2009 has been a challenging year for the CP division, the revenue declined by S$6.0 million from S$64.3 million in FY2008 to S$58.3 million in FY2009. Due to the weak demand for rigs and offshore projects, CP division has lower revenue compared to the previous corresponding year. Despite the lower revenue achieved, the recurring business and the established working relationship with various major shipyards in Singapore and Batam continued to generate stable stream of income for the Group. In April FY2009, BKM was pleased to secure two contracts of total value S$9.0 million signed with a major rig building company for its corrosion prevention services. The contract wins lends good testament to the quality and reliability of our services, which are an important element for us to remain competitive amidst the global economic turmoil.

***Supply and Distribution ("SD") Division***

The SD revenue declined by S$4.2 million from S$27.3 million to S$23.1 million. The management has anticipated the slowdown for demand of hardware in FY2009 and by paying closer attention in reviewing inventory and warehouse management to avoid cashflow being tied up during the low sales season.

## Operating Profits

The Group's overall gross profit declined 2.3% to S$29.6 million in FY2009. Gross profit margin fell from 23.0% to 21.4%. One of the reasons for the dropped in gross profit and gross profit margin was due to the carrying costs on fixed assets during the weak economic environment. The Group also made conservative allowance for stock obsolescence of approximately S$1.0 million to account for potential spoilage, expiry and obsolescence due to prolonged period of storage in the warehouse.

The Group's profit after tax improved 5.7% from S$8.4 million in FY2008 to S$8.8 million in FY2009. This led to 4.0% increase in net profit attributable to shareholders to S$8.6 million. The improved earnings were largely due to the Group's ability to maintain gross profit, and reduce administrative, selling and distribution costs.

## Cash flow, working capital, assets and liabilities

In the last quarter of 2009, BKM raised S$11.8 million new funds through equity financing to repay bank loans, funding capital expenditure for our fabrication yard and general working capital.

As at 31 December 2009, current assets and current liabilities were lower at S$85.4 million and S$68.2 million respectively as compared to S$90.2 million and S$83.5 million as of 31 December 2008. This was due to lower sales transactions towards the last quarter of FY2009, which reduced the requirement for the Group's working capital.

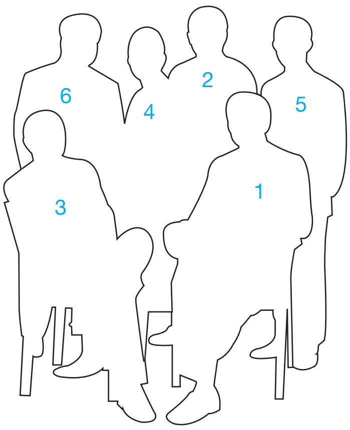
The Group continued to focus on its debt recovery and cash collection efforts. There was also a significant increase in net cash generated from operating activities to S$22.2 million in FY2009 from S$6.5 million in FY2008. Thus as at year end, cash and cash equivalents stood healthy at S$19.3 million.

In FY2009, the Group's fixed assets grew from S$30.8 million to S$45.8 million. The Group had invested on capital expenditures like the development of the fabrication yard, purchase machineries and equipment to facilitate its operation in Indonesia. During the year, one of BKM wholly owned subsidiaries - Picco Enterprise Pte. Ltd., has acquired a warehouse in Tuas area for purchase consideration of S$7.2 million.

Gearing ratio improved from 62.3% in FY2008 to 47.4% in FY2009. BKM has utilised approximately S$5.8 million of the share proceeds to repay bank loans and the positive net cash generated from the operating activities brought about the lower gearing as of 31 December 2009.

In conclusion, BKM enjoyed better performance, stronger balance sheet and positive cashflow for the period ended FY2009. As a result, shareholder's equity improved from S$37.1 million as of 31 December 2008 to S$56.6 million as of 31 December 2009.

# Board of Directors




## 1. Mr. Chua Beng Kuang
*Executive Chairman*

Mr Chua Beng Kuang is our Executive Chairman and one of our founders. He is in charge of overall management of our Group and is responsible for developing and steering the corporate plans, directions and business strategies of our Group. He has been involved in the corrosion prevention business in marine industry for over 29 years. He has led the management in pursuing our Group's mission and objectives and has been instrumental to our growth.

## 2. Mr. Chua Meng Hua
*Managing Director*

Mr Chua Meng Hua is our Managing Director and is one of our founders. He oversees the overall administrative and the operational aspects of our Group and is in charge of the business development of our Group. He has had over 16 years of experience in the corrosion prevention business in the marine industry.

## 3. Mr. Alan Yong

*Executive Director (Corporate Finance & Business Development)*

Mr Yong was appointed as our Executive Director on 14 July 2008, prior to that he has been on the Board as a non-executive Director since 30 May 2002. Mr Yong was formerly the Chief Financial Officer of Labroy Marine Limited from 1994 to October 2006. He was the Group Financial Controller of JK Yaming International Holdings Limited, Finance Manager of Kuok (Singapore) Ltd., Island Concrete group of companies and Neptune Orient Lines Ltd. with his 30 years of working experience, Mr Yong oversees the Risk Management Committee, fund raising and investment committee and actively seeking suitable acquisition joint ventures and strategic alliances to broaden the company earning base. Mr Yong obtained a Bachelor of Science (Economics) from the University of London in 1978. He is currently a Fellow member of the Institute of Certified Public Accountants of Singapore.

## 4. Mr. Sameer Y. Khan

*Non-Executive Director*

A fellow of the Institute of Chartered Accountants England and Wales, and a Member of the Institute of Business Consulting UK , Mr Khan was appointed as our Chairman and Non-Executive Director on 25 January 2008. He is also the Executive Director of Drydocks World LLC ("DDW LLC"), responsible for all finance matters relating to DDW LLC and its subsidiaries ("DDW Group"). The DDW Group, whose principal business includes ship repair, conversions, shipbuilding and rig building is also the parent company for Dubai Drydocks, Drydocks World – Southeast Asia Pte Limited, Drydocks World – Singapore Pte Ltd and Labroy Group of Companies. Mr Khan has been with Dubai Drydocks since its inception in 1983.

## 5. Mr. Goh Chee Wee

*Independent Director*

Mr Goh was appointed as our Independent Director on 30 August 2004. He is currently a director of several public listed companies. From 1980 to 2001, he was elected as a Member of Parliament and from 1993 to 1997, he served as the Minister of State for Trade and Industry, Labour and Communications. From 1997 to 2003, he was the Group Managing Director and Chief Executive Officer of Comfort Group Ltd. He obtained a Bachelor of Science (First Class Honours) from the then University of Singapore in 1969, a Master of Science (Engineering) from the University of Wisconsin in 1975 and a Diploma in Business Administration from the University of Singapore in 1980. He is the Chairman of our Nominating Committee and member of our Audit Committee and Remuneration Committee.

## 6. Dr. Wong Chiang Yin

*Independent Director*

Dr Wong was appointed as our Independent Director on 30 August 2004. He is currently the Executive Director of Pantai Holdings Berhad and CEO of Pantai Hospitals Division and the President of the Singapore Medical Association. From 1998 to April 2008, he held various senior positions, including the Chief Operating Officer of Changi General Hospital and Singapore General Hospital, Director of the Projects Office of the Singapore Health Services and Assistant Director in the Ministry of Health. He is a member of the Citizen's Consultative Committee of the Holland-Bukit Timah Group Representation Constituency, Ulu Pandan Division. He holds a Master of Medicine (Public Health) from the National University of Singapore in 1999 and a Master in Business Administration (Finance) from the University of Leicester in 2001. He is the Chairman of our Audit Committee, Remuneration Committee and a member of the Nominating Committee.

# Executive Officers

## Mr. Chua Beng Yong
*General Manager*

The Head of Infrastructure Engineering, Mr Chua is one of the founders of the Group business. He is responsible for overseeing our Group's infrastructure engineering division, including its marketing and business development. Mr Chua has over 17 years of experiences within the marine industry.

## Mr. Chua Beng Hock
*Assistant General Manager*

The Head of Corrosion Prevention Division, Mr Chua is one of the founders of the Group business. He is responsible for overseeing our Group's corrosion prevention division, including its marketing business development. Mr Chua has over 15 years of experiences within the marine industry.

## Mr. Lee Wei Liang
*Financial Controller*

Mr Lee is our Financial Controller since 2006 and is responsible for the overall Group's financing and accounting functions. He joined the Group as Finance Manager towards end of 2000 and was promoted as Financial Controller in second half of 2006. Prior to joining the Group, he worked with Bob Low and Company as an Audit Assistant to the Audit Senior from 1998 to 2000. Mr Lee obtained a Bachelor of Accountancy from Queensland University of Technology in 1999 and is currently an Associate Member of the Australian Society of Certified Practicing Accountants.

# Corporate Structure

**BENG KUANG MARINE LIMITED**

- **Corrosion Prevention**
  - 100%
    - Beng Kuang Marine (B&Chew) Pte Ltd
    - Pioneer Marine
    - Beng Kuang Marine (B&M) Pte Ltd
    - Imex Marine
    - Beng Kuang Marine (B&Y) Pte Ltd
    - B & K Marine Pte Ltd
    - Oris Marine
    - CP Marine Hub
    - BT Asia Marketing & Engineering Pte Ltd
    - Superior Services Center
    - Asian Sealand Automation Pte Ltd
    - OneHub Tank Coating Pte Ltd
    - PT Nexelite CP Indonesia
  - 80% Nexus Hydrotech Pte Ltd
  - 51% B & J Marine Pte Ltd
  - 51% Pangco Pte Ltd
    - 51% PT Berger Batam
  - 50% Quill Marine Pte Ltd
- **Infrastructure Engineering & Shipyard**
  - 100%
    - Asian Sealand Engineering Pte Ltd
    - PT Nexus Engineering Indonesia
    - ASIC Engineering Sdn Bhd
    - Drako Shipping Pte Ltd
  - 51% Venture Automation & Electrical Engineering Pte Ltd
- **Supply & Distribution**
  - 100% Nexus Sealand Trading Pte Ltd
    - 100% Picco Enterprise Pte Ltd
  - 100% PT Master Indonesia
- **Environment & Resource**
  - 51% Water and Environmental Technologies (WET) Pte Ltd
  - 51% Pureflow Pte Ltd
    - 51% Asia Recovery Centre Pte Ltd
  - 20.4% NewEarth Pte Ltd
    - 14.7% NewEarth Singapore Pte Ltd

*Percentage is computed based on Beng Kuang Marine Limited's effective interest on subsidiaries and associates*

# Corporate Information

## BOARD OF DIRECTORS
Chua Beng Kuang, Executive Chairman
Chua Meng Hua, Managing Director
Yong Thiam Fook, Executive Director
Sameer Y. Khan, Non-Executive Director
Goh Chee Wee, Independent Director
Dr. Wong Chiang Yin, Independent Director

## AUDIT COMMITTEE
Dr. Wong Chiang Yin, Chairman
Goh Chee Wee
Sameer Y. Khan

## REMUNERATION COMMITTEE
Dr. Wong Chiang Yin, Chairman
Goh Chee Wee
Sameer Y. Khan

## NOMINATING COMMITTEE
Goh Chee Wee, Chairman
Dr. Wong Chiang Yin
Sameer Y. Khan

## COMPANY SECRETARIES
Wee Woon Hong
Lee Hock Heng

## REGISTERED OFFICE
55 Shipyard Road, Singapore 628141
Tel: (65) 6266 0010 Fax: (65) 6264 0010
Email: bkm@bkmgroup.com.sg
Website: www.bkmgroup.com.sg

## AUDITORS
Ernst & Young LLP
Certified Public Accountants
One Raffles Quay
#18-01 North Tower
Singapore 048583
Partner in charge : Tham Chee Soon
(since financial year ended 31 December 2005)

## BANKERS
United Overseas Bank Limited
Oversea-Chinese Banking Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank
The Royal Bank of Scotland
DBS Bank Limited
BNP Paribas
RHB Bank Berhad
CIMB Bank Berhad
The Bank of East Asia Limited
PT Bank Mandiri

## REGISTRAR AND SHARE TRANSFER OFFICE
M & C Services Private Limited
138 Robinson Road,
The Corporate Office
#17-00 Singapore 068906
Tel: (65) 6227 6660 Fax: (65) 6225 1452

# Financial Report

# Report of Corporate Governance

For the year ended 31 December 2009

The Board of Directors (the "Board") and management (the "Management") of Beng Kuang Marine Limited are committed to maintaining a high standard of corporate governance within the Group. The Company has, since its listing on the SGX-ST in October 2004, put in place and adopted various policies and practices based on the Code where it is applicable and practical to the Group in the context of the Group's business and organisation structure.

The Company is pleased to report that it has generally adhered to the principles and guidelines as set out in the Code except for certain deviations which appropriate explanations are provided.

## 1. BOARD MATTERS

### Principle 1: The Board's Conduct of Its Affairs

The Board is entrusted with the responsibility of the overall management of the business and corporate affairs of the Group. Every Director is expected, in the course of carrying out his duties, to act in good faith and to consider at all times the interests of the Company.

The principal functions of the Board are to:-

(a) approve the Group's key business strategies and financial objectives, including the review of annual budgets, major investments / divestments, and funding proposals;
(b) oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
(c) review Management performance; and
(d) set the Company's values and standards, and ensure that obligations to shareholders and others are understood and met.

Matters that specifically require the Board's decision or approval, are those involving:-

- Corporate strategy and business plans;
- Investment and divestment proposals;
- Funding decisions of the Group;
- Nominations of Directors and appointment of key personnel;
- Announcement of financial results, the annual report and accounts;
- Material acquisitions and disposal of assets; and
- All matters of strategic importance.

All other matters are delegated to committees whose actions will be monitored by the Board. These committees include the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"), which operate within clearly defined terms of reference and functional procedures.

The Board conducts regular scheduled meetings on a quarterly basis at the registered office of the Company. Where the circumstances require, ad-hoc meetings are arranged. Attendance of the Directors via telephone conference is allowed under Article 120(2) of the Company's Articles of Association. The number of Board and Board committees meetings held and attended by each Director during FY2009 are as follows:-

# Report of Corporate Governance

For the year ended 31 December 2009

| Name | Board Meeting | | Audit Committee | | Remuneration Committee | | Nominating Committee | |
|---|---|---|---|---|---|---|---|---|
| | No of meetings | | No of meetings | | No of meetings | | No of meetings | |
| | Held# | Attended | Held# | Attended | Held# | Attended | Held# | Attended |
| Chua Beng Kuang | 4 | 4 | - | - | - | - | - | - |
| Chua Meng Hua | 4 | 4 | - | - | - | - | - | - |
| Yong Thiam Fook | 4 | 4 | - | - | - | - | - | - |
| Sameer Y. Khan | 4 | 3 | 4 | 2 | 2 | 2 | 1 | 1 |
| Goh Chee Wee | 4 | 4 | 4 | 4 | 2 | 2 | 1 | 1 |
| Dr Wong Chiang Yin | 4 | 4 | 4 | 4 | 2 | 2 | 1 | 1 |

Note:-

# reflects the number of meetings held during the time that Director / committee member held office

The Company believes that the attendance record of each Director at Board and/or Board committee meetings may not be a true reflection of his contributions. The Directors of the Company were appointed on the basis of their knowledge and experience as well as their potential to contribute to the proper guidance of the Group and its business. To focus on a Director's attendance at formal meetings may do injustice to his contributions, which can come in many different forms. For instance, the Company may look to him for guidance beyond the formal setting of Board meetings or he may be able to initiate relationships that are beneficial to the interests of the Group.

Where necessary, the Directors will be updated on the latest governance and listing policies that are relevant to the Group. All Directors are also updated regularly concerning any changes in company policies.

The Directors are welcome to request further explanations, briefings or informal discussions on any aspects of the Company's operations or business issues from the Management. The Chairman and Managing Director will make the necessary arrangements for the briefings, informal discussions or explanations required by the Director.

Newly appointed Directors will undergo an orientation programme and will be provided with materials to help them familiarise themselves with the business and governance practices of the Company.

**Principle 2: Board Composition and Balance**

(i) As at the date of this report, the Board comprises two Independent Directors, one Non-Executive Director and three Executive Directors as follows:-.

*Executive Directors*

| | |
|---|---|
| Chua Beng Kuang | (Executive Chairman) |
| Chua Meng Hua | (Managing Director) |
| Yong Thiam Fook | (Executive Director) |

*Non-Executive Directors*

| | |
|---|---|
| Sameer Y. Khan | (Non-Executive Director) |
| | |
| Goh Chee Wee | (Independent Director) |
| Dr Wong Chiang Yin | (Independent Director) |

# Report of Corporate Governance

For the year ended 31 December 2009

As the Independent Directors make up one third of the Board, there is a strong independent element on the Board, thereby allowing it to exercise objective judgment on corporate affairs independently from the Management.

(ii) The independence of each Director is reviewed annually by the NC, which adopts the Code's definition of what constitutes an Independent Director. The NC is of the view that the Independent Directors, namely Mr Goh Chee Wee and Dr Wong Chiang Yin, are independent.

(ii) The NC is of the view that the Board consists of persons who, together, will provide core competencies necessary to meet the Company's objectives. It is also of the view that the current Board size of six Directors is appropriate for effective decision making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making processes.

**Principle 3: Chairman and Managing Director**

The Company keeps the posts of Chairman and Managing Director separate. There is a clear division of responsibilities between the Chairman and the Managing Director, which will ensure a balance of power and authority, such that no individual or small group of individuals represents a considerable concentration of power. Keeping the two posts separate will also ensure increased accountability and greater capacity of the Board for decision-making.

The Managing Director, Mr Chua Meng Hua is responsible for the overall management of the Group's operations.

The Executive Chairman, Mr Chua Beng Kuang is primarily responsible for the effective workings of the Board. He works together with the Managing Director in scheduling of meetings (with the assistance of the Company Secretary) to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations. The Chairman and the Managing Director (with the assistance of the Company Secretary) also prepare the meeting agenda in consultation with the Directors.

The Chairman and the Managing Director also exercise control over quality, quantity and timeliness of the flow of information between the Management and the Board and assist in ensuring the Group's compliance with the Code.

Mr Chua Beng Kuang (Executive Chairman) and Mr Chua Meng Hua (Managing Director) are brothers.

**Principle 6: Access to Information**

The Company believes that the Board should be provided with timely and complete adequate information prior to Board meetings and as and when the need arises.

The Company makes available to all Directors the management accounts, as well as the relevant background or explanatory information relating to matters, that are to be discussed at the Board meetings. Detailed board papers are sent out to the Directors before the scheduled meetings so that the members may be informed of the issues before hand and have sufficient time to formulate questions that they may have. In respect of budgets, any material variance between the forecasts and actual results is reviewed by the Board and disclosed and explained by the Management, where required by the Board.

The Directors have also been provided with the contact details of the Company's Senior Management and Company Secretary to facilitate separate and independent access.

# Report of Corporate Governance

For the year ended 31 December 2009

The Company's Secretary attends Board meetings and assists the Board in ensuring that the Company complies with the relevant requirements of the Companies Act, Chapter 50, and the provisions in the Listing Manual of the SGX-ST. The appointment and removal of the Company Secretary would be a matter for the Board as a whole to decide.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their duties and responsibilities as Directors.

## 2. BOARD COMMITTEES

### Audit Committee

### Principle 11: Audit Committee

The AC has been established with written terms of reference and comprises two Independent Directors and one Non-Executive Director. They are:-

| | |
|---|---|
| Dr Wong Chiang Yin | (Chairman, Independent Director) |
| Goh Chee Wee | (Member, Independent Director) |
| Sameer Y. Khan | (Member, Non-Executive Director) |

Dr Wong Chiang Yin, an Independent Director, chairs this Committee. The AC met four times in the financial year under review. It performs the following functions:-

- Reviewing the announcement of the quarterly and full year results before submission to the Board for approval;
- Reviewing the audit plans and reports of the external auditors and to consider the effectiveness of the actions taken by the Management on the auditors' recommendations;
- Appraising and reporting to the Board on the audits undertaken by the external auditors, the adequacy of disclosure of information, and the adequacy and effectiveness of the system of management internal audit function and internal controls;
- Reviewing the assistance and co-operations given by the Management to the external auditors;
- Discussing problems and concerns, if any, arising from the interim and final audits;
- Recommending to the Board the external auditors for annual re-appointment and new appointment (if any);
- Reviewing the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; and
- Reviewing interested person transactions, as defined in the Listing Manual of the SGX-ST.

Dr Wong Chiang Yin is currently the Executive Director of Pantai Holdings Berhad and CEO of Pantai Hospitals Division and the President of the Singapore Medical Association. Mr Goh Chee Wee is currently, and a director of several public listed companies. Mr Sameer Y. Khan is a Director and Chief Finance Officer of Drydocks World LLC. The Board is of the view that the AC has the requisite financial management expertise and experience to discharge its responsibilities.

The AC has explicit authority to investigate any matter within its terms of reference and has full access to and co-operation by the Management. It also has full discretion to invite any Director or Executive Officer to attend its meetings and reasonable resources to enable it to discharge its functions properly.

# Report of Corporate Governance

For the year ended 31 December 2009

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

Ernst & Young LLP has on 4 March 2010, given notice to the Directors of their resignation as Auditors of the Company. The AC, having considered various factors including *inter alia*, the adequacy of resources, experience and audit engagements in view of the Group's operations, has recommended to the board of directors that Nexia TS Public Accounting Corporation be nominated for appointment as auditors of the Company in place of Ernst & Young LLP at the forthcoming annual general meeting of the Company.

The AC, has put in place a whistle-blowing arrangement whereby the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. There are arrangements in place for the independent investigation of such matters for appropriate follow-up actions to be taken.

Where the need arises, the AC will meet with the external auditors, without the presence of the Management, to review the adequacy of audit arrangement with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the auditors.

**Principle 12: Internal Controls**

The Board believes in the importance of maintaining a sound system of internal controls to safeguard shareholders' investments and the Group's assets.

The AC reviews the effectiveness of the Group's internal controls, including operational controls regularly and is responsible for the overall internal control framework. The Board notes that no system of internal control can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities. However, the system of internal controls maintained by the Management provides reasonable assurance against material financial misstatements or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice and the identification and management of business risk.

**Principle 13: Internal Audit**

The Company outsourced its internal audit function to an external professional firm, who reports directly to the AC and administratively to the Executive Directors. The objective of the internal audit function is to determine whether the Group's risk management, control and governance processes, as designed by the Company, is adequate and functioning in the required manner. The internal auditors have identified the Group's main business processes and developed an audit plan that covers the main business process over a 1-3 year audit cycle.

The AC will review the adequacy of the internal audit function annually and ensures that the internal audit function is adequately resourced and has appropriate standing within the Company.

# Report of Corporate Governance

For the year ended 31 December 2009

## Remuneration Committee

### Principle 7: Procedures for Developing Remuneration Policies

The RC comprises the following three members:-

| | |
|---|---|
| Dr Wong Chiang Yin | (Chairman, Independent Director) |
| Goh Chee Wee | (Member, Independent Director) |
| Sameer Y. Khan | (Member, Non-Executive Director) |

The RC members are familiar with executive compensation matters as they are performing executive functions in the companies where they are employed and/or are holding directorships in other public listed companies.

The RC recommends to the Board (in consultation with the Chairman) a framework of remuneration for the Board and the Executive Officers as well as specific remuneration packages for the Executive Directors and the Managing Director. The recommendations were submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' and Executive Officers' fees, salaries, allowances, bonuses, options and benefits in kind are covered by the RC. The members of the RC do not participate in any decisions concerning their own remuneration package.

### Principle 8: Level and Mix of Remuneration

The remuneration packages for Executive Directors take into account the performance of the Group and the individual Director. The RC also ensures that the Executive Directors are adequately remunerated as compared to industry and comparable companies. The Non-Executive Directors' remuneration in the form of directors' fees take into account the roles that the individual Director play, including but not limited to the efforts, time spent and responsibilities of the Non-Executive Director. The Directors' fees are subject to shareholders' approval at the forthcoming AGM.

The Company has entered into separate service agreements with Mr Chua Beng Kuang and Mr Chua Meng Hua for an initial period of three years commencing 1 January 2004 and which shall be automatically renewed on a three-year basis. There are no onerous removal clauses in the service agreements. The remuneration includes a fixed salary and a variable performance related bonus that is designed to align their interests with those of the shareholders and link rewards to corporate and individual performance.

The Company has adopted BKM Performance Share Plan during the year and the Directors are eligible to participate in the performance share plan.

# Report of Corporate Governance

For the year ended 31 December 2009

**Principle 9: Disclosure on Remuneration**

A summary compensation table of the directors' remuneration for the financial year ended 31 December 2009 and 31 December 2008 are set out below:

| | Number of Directors | |
|---|---|---|
| **Remuneration Band** | **2009** | **2008** |
| $500,000 and above | 2 | 2 |
| $250,000 to below $500,000 | 0 | 0 |
| Below $250,000 | 4 | 4 |
| Total | 6 | 6 |

Details of remuneration and fees paid to directors for the financial year ended 31 December 2009 are set out below:

| Name of Director | Fee* (%) | Salary# (%) | Bonus (%) | Benefits (%) | Total (%) |
|---|---|---|---|---|---|
| Mr Chua Beng Kuang | - | 43 | 51 | 6 | 100 |
| Mr Chua Meng Hua | 1 | 39 | 53 | 7 | 100 |
| Mr Yong Thiam Fook | 1 | 65 | 26 | 8 | 100 |
| Mr Sameer Y. Khan | 57 | - | - | 43 | 100 |
| Mr Goh Chee Wee | 62 | - | - | 38 | 100 |
| Dr Wong Chiang Yin | 64 | - | - | 36 | 100 |

* *These fees are subject to approval of the shareholders at the forthcoming AGM.*

\# *Salary is inclusive of fixed allowance and CPF contributions.*

| Top 5 Executives Officers | Number |
|---|---|
| $250,001 to $500,000 | 2 |
| $0 to $250,000 | 3 |

The top five Executive Officers of the Group, are Mr Chua Beng Yong (General Manager, Head of Infrastructure Engineering Division), Mr Chua Beng Hock (Assistant General Manager, Head of Corrosion Prevention Division), Mr Ong Hock Sze (General Manager, Batam Operations), Mr Lee Wei Liang (Financial Controller), and Mr Lee Choon Hwee (Assistant General Manager, Head of Supply and Distribution Division).

Mr Chua Beng Kuang and Mr Chua Meng Hua (Executive Directors) and Mr Chua Beng Yong and Mr Chua Beng Hock (Executive Officers) are brothers.

Save as disclosed above, there is no employee who is an immediate family member of any Director, whose remuneration for FY2009 exceeds $150,000.

The gross remuneration disclosed is computed on gross salaries, allowances and other benefits accruing during the financial year.

# Report of Corporate Governance

For the year ended 31 December 2009

## Nominating Committee

### Principle 4: Board Membership

The NC has been established with written terms of reference and comprises two Independent Directors and one Non-Executive Director. They are:-

| | |
|---|---|
| Goh Chee Wee | (Chairman, Independent Director) |
| Dr Wong Chiang Yin | (Member, Independent Director) |
| Sameer Y. Khan | (Member, Non-Executive Director) |

The main terms of reference of the NC are as follows:-

- To review nominations for the appointment and re-appointment to the Board and the various Board committees;
- To decide on the evaluation criteria of the Board, propose an objective performance criteria to assess effectiveness of the Board as a whole and the contribution of each Director;
- To decide whether a Director is able to and has been adequately carrying out his duties as Director of the Company (in a case where the Director has multiple board representations);
- To ensure that Directors submit themselves for re-nomination and re-election at regular intervals and at least once in every three years; and
- To determine, on an annual basis, whether a Director is independent.

The NC is responsible for the re-nomination of the Directors. Article 107 of the Company's Articles of Association requires one-third of the Directors to retire from office at least once in every three years at the Company's AGM whereas Article 112 provides that each term of appointment of the Managing Director shall not exceed five years. Retiring Directors are eligible to offer themselves for re-election pursuant to Article 109.

The NC will determine the criteria for the appointment of new Directors and will set up a process for selection and appointment of such Directors (when necessary) taking into account the experience and expertise of each candidate.

Key information regarding the Directors is set out under "Board of Directors" section of this Annual Report.

### Principle 5: Board Performance

Based on the recommendation of the NC, the Board has established processes and objective performance criteria for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual Director. The objective performance criteria addresses how the Board has enhanced long-term shareholders' value and includes a comparison with the industry peers. The performance evaluation also includes consideration of return on equity, the Company's share price vis-à-vis the Singapore Straits Times Index. The selected performance criteria will not be changed from year to year unless they are deemed necessary and the Board is able to justify the changes.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

# Report of Corporate Governance

For the year ended 31 December 2009

## 3. COMMUNICATION WITH SHAREHOLDERS

**Principle 10: Accountability**
**Principle 14: Communication with Shareholders**
**Principle 15: Greater Shareholder Participation**

The Company has taken efforts to comply with the Listing Manual of the SGX-ST on the disclosure requirements of material information. The Board is mindful of the obligation to provide shareholders of all major developments that affect the Group and strives to maintain a high standard of transparency.

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis. This responsibility extends to reports to regulators. The Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis.

Information is communicated to shareholders on a timely basis through financial results and annual reports that are prepared and issued to all shareholders within the mandatory period, SGXNET, press releases and the Company's website at which the shareholders can access information on the Group. The Company does not practice selective disclosure and price sensitive information is first publicly released before the Company meets with any group of investors or analysts.

Shareholders are given the opportunity to pose questions to the Directors or the Management at the AGM. Shareholders are informed of shareholders' meetings through notices published in the newspapers, annual reports and circulars sent to all shareholders. Each item of special business included in the notices of shareholders' meetings is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues. The members of the AC, NC and RC will be present at these meetings to answer questions relating to matters, that are overseen by these committees. The external auditors will also be present to assist the Directors in addressing any queries posed by the shareholders.

The Articles of Association of the Company allows for members to appoint up to two proxies to attend and vote in place of the member. The Company does not intend to implement absentia voting methods until security, integrity and other pertinent issues are resolved.

## 4. DEALINGS IN SECURITIES

The Company has adopted policies in line with the Rule 1207(18) set out in the Listing Manual of the SGX-ST on dealings in the Company's securities.

The Company prohibits its officers from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the "black-out periods" prior to and ending on the date of the announcement of the results.

# Report of Corporate Governance

For the year ended 31 December 2009

## 5. INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with interested person which set out the procedures for review and approval of such transactions.

All interested person transactions will be documented and submitted on a quarterly basis to the AC for their review to ensure that such transactions are carried out at arm's length basis and on normal commercial terms and are not prejudicial to the Company.

Disclosure of interested person transactions are made together with the Company's quarterly results. The AC reviewed the significant transactions entered into by the Company with its interested persons for FY2009 in accordance with its existing procedures.

A summary of the interested person transactions for FY2009 is as follows:

| | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920). | Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000). |
|---|---|---|
| **[Revenue / (Expenses)]** | **$** | **$** |
| **Labroy Shipbuilding & Engineering Pte Ltd** | | |
| Provision of Corrosion Prevention Services | | 14,058,363 |
| Provision of Infrastructure Engineering Services | | 701,451 |
| Sale of Hardware Equipment, Tools and Other Consumables | | 160,286 |
| Rental of Machineries | | 2,842,913 |
| Provision of Vehicle Maintenance Services and Consumables | | 650 |
| Procurement of Yard's Consumables | | (1,247,717) |
| **PT Nanindah Mutiara Shipyard** | | |
| Sale of Hardware Equipment, Tools and Other Consumables | | 1,236,049 |
| **Heng Huat Shipbuilding & Construction Pte Ltd** | | |
| Rental of Property Expenses | (180,833) | |
| Purchase of Leasehold Property | (7,200,000) | |
| **Labroy Offshore Engineering Pte Ltd** | | |
| Provision of Corrosion Prevention Services | | 6,507,938 |
| Sale of Hardware Equipment, Tools and Other Consumables | | 8,948 |
| Provision of Infrastructure Engineering Services | | 2,680,711 |

# Report of Corporate Governance

For the year ended 31 December 2009

| | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920). | Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000). |
|---|---|---|
| **[Revenue / (Expenses)]** | **$** | **$** |
| **PT Graha Trisaka Industri** | | |
| Provision of Corrosion Prevention Services | | 5,291,059 |
| Provision of Infrastructure Engineering Services | | 4,270,212 |
| Sale of Hardware Equipment, Tools and Other Consumables | | 452,001 |
| **Drydocks World - Singapore Pte.Ltd.** | | |
| Sale of Hardware Equipment, Tools and Other Consumables | | 149,033 |
| Provision of Corrosion Prevention Services | | 2,988,514 |
| Procurement of Materials and Consumables | | 96,406 |
| Transportation Charges | | (5,848) |
| **PT Drydocks World Pertama** | | |
| Provision of Corrosion Prevention Services | | 2,723,287 |
| Provision of Infrastructure Engineering Services | | 725,848 |
| Procurement of Yard's Consumables | | (94,182) |
| Sale of Hardware Equipment, Tools and Other Consumables | | 131,570 |

## 6. MATERIAL CONTRACTS AND LOANS

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, the Company confirms that except as disclosed in the Report of Directors and Financial Statements, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of the Managing Director or any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

# Use of Proceeds from Placement of New Shares

Pursuant to the Subscription Agreement and Call Option Agreement dated 7 September 2009 with Mr Tan Chin Hock, Mr Ang Poon Beng, Mr Lee Wee Soon, Mr Goh Yew Gee, Mr Aw Yong Wee and Mr Low Chui Heng (the "Subscribers"), the Company has allotted and issued 38,000,000 new ordinary shares (the "Subscription Shares") at an issue price of S$0.255 for each Subscription Share and granted to the Subscribers a call option to subscribe for another up to 38,000,000 new ordinary shares ("Option Shares") pursuant to a subscription by the Subscribers for the Option Shares at an exercise price of S$0.25 for each Option Share, to be exercised at the sole discretion of the Subscribers within the period of 3 years from the date of the Call Option Agreement.

The Company intends to utilise the total net proceeds of approximately S$18.0 million to repay bank borrowings, funding capital expenditures for new yard and general working capital.

On 24 December 2009, the Company has made an announcement on the use of proceeds for the 38,000,000 Subscription Shares and 13,000,000 Option Shares, which amounted to S$11,800,000.

| | | S$ |
|---|---|---|
| Gross Proceeds from | | |
| 38 Million new ordinary shares at S$0.225 per share | | 8,550,000 |
| 13 Million new ordinary shares at S$0.250 per share | | 3,250,000 |
| | | 11,800,000 |
| Less : Expenses | | (40,000) |
| Net Proceeds | | 11,760,000 |
| | | |
| Use of Proceeds | | |
| i) | Repay bank borrowings | (5,800,000) |
| ii) | Capital expenditures for new yard | (2,960,000) |
| iii) | General working capital | (3,000,000) |
| Balance | | – |

# Directors' Report

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Beng Kuang Marine Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2009.

## Directors

The Directors of the Company in office at the date of this report are:

Chua Beng Kuang
Chua Meng Hua
Yong Thiam Fook
Sameer Y. Khan
Goh Chee Wee
Dr Wong Chiang Yin

## Arrangements to enable Directors to acquire shares and debentures

Except as disclosed under "BKM Performance Share Plan", neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## Directors' interests in shares and debentures

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company and related corporations, as stated below:

| | Direct interest | |
|---|---|---|
| **Name of directors and companies in which interests are held** | **At the beginning of financial year** | **At the end of financial year** |
| ***Ordinary shares of the Company*** | | |
| Chua Beng Kuang | 35,947,500 | 36,267,500 |
| Chua Meng Hua | 34,999,500 | 35,319,500 |
| Yong Thiam Fook | 150,000 | 256,000 |
| Sameer Y. Khan | – | 100,000 |
| Goh Chee Wee | 300,000 | 400,000 |
| Dr Wong Chiang Yin | – | 100,000 |

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2010.

# Directors' Report

### Directors' interests in shares and debentures (cont'd)

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

### Directors' contractual benefit

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

### BKM Performance Share Plan

The BKM Performance Share Plan was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 27 April 2009.

The BKM Performance Share Plan is intended to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of the Group.

The BKM Performance Share Plan awards fully paid shares to participants who have achieved pre-determined targets. The shares are settled by physical delivery of shares by way of issuance of new shares by the Company for transfer to the employees.

The BKM Performance Share Plan is administered by the Remuneration Committee.

| | Performance shares granted during financial year | Aggregate performance shares granted since commencement of plan to end of financial year | Aggregate performance shares released since commencement of plan to end of financial year | Aggregate performance shares not released as at end of financial year |
|---|---|---|---|---|
| **Directors of the Company** | | | | |
| Chua Beng Kuang | 320,000 | 320,000 | (320,000) | – |
| Chua Meng Hua | 320,000 | 320,000 | (320,000) | – |
| Yong Thiam Fook | 106,000 | 106,000 | (106,000) | – |
| Sameer Y. Khan | 100,000 | 100,000 | (100,000) | – |
| Goh Chee Wee | 100,000 | 100,000 | (100,000) | – |
| Dr Wong Chiang Yin | 100,000 | 100,000 | (100,000) | – |
| **Key executives of the Group** | 1,627,000 | 1,627,000 | (1,627,000) | – |
| | 2,673,000 | 2,673,000 | (2,673,000) | – |

# Directors' Report

## Share options

Pursuant to the Subscription Agreement and Call Option Agreement dated 7 September 2009, the Company had issued 38,000,000 subscription shares to various subscribers at an issue price of S$0.225 for each subscription share.

For a consideration of $1 payable by each subscriber, the Company granted the subscribers call options to subscribe for another 38,000,000 ordinary shares at an exercise price of $0.25 per option share.

As at 31 December 2009, the subscribers had exercised options for 13,000,000 option shares and as that date, there were unexercised options for 25,000,000 shares. These options are exercisable between the period from 7 September 2009 to 6 September 2012.

## Audit Committee

The Audit Committee carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50. The functions performed are detailed in the Report of Corporate Governance.

On behalf of the Board of Directors,

Chua Beng Kuang
Director

Chua Meng Hua
Director

Singapore
19 March 2010

# Statement by Directors

We, Chua Beng Kuang and Chua Meng Hua, being two of the Directors of Beng Kuang Marine Limited, do hereby state that, in the opinion of the Directors,

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Chua Beng Kuang
Director

Chua Meng Hua
Director

Singapore
19 March 2010

# Independent Auditors' Report

**To the members of Beng Kuang Marine Limited**

We have audited the accompanying financial statements of Beng Kuang Marine Limited (the Company) and its subsidiaries (collectively, the Group) which comprise the balance sheets of the Group and the Company as at 31 December 2009, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition, and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Independent Auditors' Report

**Opinion**

In our opinion,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and Certified Public Accountants
Singapore
19 March 2010

# Balance Sheets

at 31 December 2009

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2009 | 2008 | 2009 | 2008 |
| | | $ | $ | $ | $ |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | 45,791,544 | 30,752,808 | 1,017,199 | 1,137,285 |
| Intangible assets | 5 | 2,662,818 | 2,724,112 | – | – |
| Investment in subsidiaries | 6 | – | – | 9,392,085 | 8,980,971 |
| Investment in associates | 7 | 4,152,155 | 4,191,068 | 200,000 | – |
| Due from subsidiary (non-trade) | 8 | – | – | 51,382 | 236,378 |
| **Current assets** | | | | | |
| Inventories | 9 | 9,020,486 | 15,052,963 | – | – |
| Work-in-progress in excess of progress billings | 10 | 9,243,211 | 9,651,140 | 2,279,641 | 3,103,473 |
| Trade debtors | 11 | 22,313,238 | 22,613,097 | – | – |
| Other debtors | 12 | 2,040,637 | 6,945,637 | 452,521 | 550,778 |
| Prepayments | | 999,732 | 864,253 | 898 | 3,604 |
| Due from subsidiaries (trade) | 11 | – | – | 3,701,676 | 3,017,935 |
| Due from subsidiaries (non-trade) | 13 | – | – | 33,630,568 | 35,411,366 |
| Due from related parties (trade) | 11 | 22,422,904 | 19,862,666 | 6,479,685 | 6,797,317 |
| Due from related parties (non-trade) | 13 | 17,209 | – | 17,209 | – |
| Due from associates (trade) | 11 | – | 20,087 | – | – |
| Due from associates (non-trade) | 13 | 81,697 | – | 68,000 | – |
| Fixed deposits | 14 | 982,048 | 862,913 | – | – |
| Cash and bank balances | 14 | 18,286,496 | 14,283,254 | 5,865,041 | 2,113,450 |
| | | 85,407,658 | 90,156,010 | 52,495,239 | 50,997,923 |
| **Current liabilities** | | | | | |
| Trade creditors | 15 | 19,710,962 | 17,422,011 | 88,020 | 23,630 |
| Bills payable to banks | 17 | 955,914 | 6,169,332 | – | 780,941 |
| Other creditors and accruals | 16 | 15,281,838 | 21,642,708 | 3,119,184 | 4,835,155 |
| Due to subsidiaries (trade) | 15 | – | – | 3,667,391 | 6,053,958 |
| Due to subsidiaries (non-trade) | 13 | – | – | 385,959 | 44,346 |
| Due to related parties (trade) | 15 | 1,853,463 | 281,325 | 305,842 | 115,350 |
| Due to related parties (non-trade) | 13 | 289,465 | 257,183 | – | – |
| Provision for income tax | | 3,016,505 | 3,077,133 | – | 171,000 |
| Lease obligations | 18 | 1,642,903 | 2,308,590 | 49,996 | 50,925 |
| Bank overdrafts | 17 | – | 866,337 | – | – |
| Short-term bank loans | 17 | 22,813,863 | 31,462,063 | 20,000,463 | 30,004,878 |
| Term loans | 17 | 2,677,859 | – | 1,257,791 | – |
| | | 68,242,772 | 83,486,682 | 28,874,646 | 42,080,183 |
| **Net current assets** | | 17,164,886 | 6,669,328 | 23,620,593 | 8,917,740 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Balance Sheets

at 31 December 2009

| | Note | Group 2009 | Group 2008 | Company 2009 | Company 2008 |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **Non-current liabilities** | | | | | |
| Lease obligations | 18 | 817,283 | 2,452,800 | 81,259 | 131,256 |
| Deferred tax liabilities | 27 | 866,372 | 825,383 | – | 83,100 |
| Term loans | 17 | 7,619,889 | – | 3,125,000 | – |
| | | 9,303,544 | 3,278,183 | 3,206,259 | 214,356 |
| **Net assets** | | 60,467,859 | 41,059,133 | 31,075,000 | 19,058,018 |
| **Equity attributable to equity holders of the Company** | | | | | |
| Share capital | 19 | 28,909,100 | 16,111,142 | 28,909,100 | 16,111,142 |
| Revenue reserve | | 27,695,595 | 21,056,762 | 2,165,900 | 2,946,876 |
| Translation reserve | | (33,585) | (20,233) | – | – |
| | | 56,571,110 | 37,147,671 | 31,075,000 | 19,058,018 |
| Minority interests | | 3,896,749 | 3,911,462 | – | – |
| **Total equity** | | 60,467,859 | 41,059,133 | 31,075,000 | 19,058,018 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Consolidated Income Statement

for the financial year ended 31 December 2009

| | | Group | |
|---|---|---|---|
| | Note | 2009 | 2008 |
| | | $ | $ |
| **Revenue** | 21 | 138,457,972 | 131,456,657 |
| Cost of sales | | (108,867,392) | (101,163,013) |
| Gross profit | | 29,590,580 | 30,293,644 |
| Other operating income - net | 22 | 703,102 | 928,167 |
| Administrative expenses | | (14,843,064) | (15,871,212) |
| Selling and distribution expenses | | (2,156,422) | (2,852,019) |
| **Profit from operations** | 23 | 13,294,196 | 12,498,580 |
| Financial income | 25 | 5,844 | 30,336 |
| Financial expenses | 26 | (1,582,625) | (1,236,863) |
| Share of results of associates, net of tax | | (238,913) | (425,505) |
| **Profit before taxation** | | 11,478,502 | 10,866,548 |
| Income tax expense | 27 | (2,645,489) | (2,512,983) |
| **Profit for the year** | | 8,833,013 | 8,353,565 |
| | | | |
| **Attributable to:** | | | |
| Equity holders of the Company | | 8,565,098 | 8,239,057 |
| Minority interests | | 267,915 | 114,508 |
| | | 8,833,013 | 8,353,565 |
| | | | |
| **Earnings per share from continuing operations attributable to equity holders of the Company (cents per share)** | | | |
| - Basic | 28 | 2.14 | 2.14 |
| - Diluted | 28 | 2.13 | 2.14 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Consolidated Statement of Comprehensive Income

for the financial year ended 31 December 2009

| | Group | |
|---|---|---|
| | **2009** | **2008** |
| | **$** | **$** |
| **Profit for the year** | 8,833,013 | 8,353,565 |
| **Other comprehensive income:** | | |
| Foreign currency translation | (13,352) | (13,870) |
| **Other comprehensive income for the year, net of tax** | (13,352) | (13,870) |
| **Total comprehensive income for the year** | 8,819,661 | 8,339,695 |
| | | |
| **Total comprehensive income attributable to :** | | |
| Equity holders of the Company | 8,551,746 | 8,225,187 |
| Minority interests | 267,915 | 114,508 |
| | 8,819,661 | 8,339,695 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Statements of Changes in Equity

for the financial year ended 31 December 2009

| Group | Note | Attributable to equity holders of the Company | | | | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|
| | | Share capital (Note 19) | Revenue reserve | Translation reserve | Total reserves | | |
| | | $ | $ | $ | $ | $ | $ |
| **2008** | | | | | | | |
| **Balance at 1 January 2008** | | 16,111,142 | 15,510,678 | (6,363) | 15,504,315 | 3,727,244 | 35,342,701 |
| Issuance of shares to minority interests | | – | – | – | – | 80,000 | 80,000 |
| Dividends paid to shareholders | 20 | – | (2,692,973) | – | (2,692,973) | (10,290) | (2,703,263) |
| Total comprehensive income for the year | | – | 8,239,057 | (13,870) | 8,225,187 | 114,508 | 8,339,695 |
| **Balance at 31 December 2008** | | 16,111,142 | 21,056,762 | (20,233) | 21,036,529 | 3,911,462 | 41,059,133 |
| **2009** | | | | | | | |
| **Balance at 1 January 2009** | | 16,111,142 | 21,056,762 | (20,233) | 21,036,529 | 3,911,462 | 41,059,133 |
| Issuance of shares | 19 | 11,800,000 | – | – | – | – | 11,800,000 |
| Issue of shares under BKM Performance Share Plan | 19 | 1,066,200 | – | – | – | – | 1,066,200 |
| Share issue expenses | 19 | (68,242) | – | – | – | – | (68,242) |
| Acquisition of minority interests | | – | – | – | – | (282,628) | (282,628) |
| Premium paid on acquisition of minority interests | 6 | – | (2,712) | – | (2,712) | – | (2,712) |
| Dividends paid to shareholders | 20 | – | (1,923,553) | – | (1,923,553) | – | (1,923,553) |
| Total comprehensive income for the year | | – | 8,565,098 | (13,352) | 8,551,746 | 267,915 | 8,819,661 |
| **Balance at 31 December 2009** | | 28,909,100 | 27,695,595 | (33,585) | 27,662,010 | 3,896,749 | 60,467,859 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Statements of Changes in Equity

for the financial year ended 31 December 2009

| **Company** | **Note** | **Share capital (Note 19)** | **Retained earnings** | **Total reserves** | **Total equity** |
|---|---|---|---|---|---|
| | | **$** | **$** | **$** | **$** |
| **2008** | | | | | |
| **Balance at 1 January 2008** | | 16,111,142 | 4,181,618 | 4,181,618 | 20,292,760 |
| Dividends paid to shareholders | 20 | – | (2,692,973) | (2,692,973) | (2,692,973) |
| Total comprehensive income for the year | | – | 1,458,231 | 1,458,231 | 1,458,231 |
| **Balance at 31 December 2008** | | 16,111,142 | 2,946,876 | 2,946,876 | 19,058,018 |
| **2009** | | | | | |
| **Balance at 1 January 2009** | | 16,111,142 | 2,946,876 | 2,946,876 | 19,058,018 |
| Issuance of shares | 19 | 11,800,000 | – | – | 11,800,000 |
| Issue of shares under BKM Performance Share Plan | 19 | 1,066,200 | – | – | 1,066,200 |
| Share issue expenses | 19 | (68,242) | – | – | (68,242) |
| Dividends paid to shareholders | 20 | – | (1,923,553) | (1,923,553) | (1,923,553) |
| Total comprehensive income for the year | | – | 1,142,577 | 1,142,577 | 1,142,577 |
| **Balance at 31 December 2009** | | 28,909,100 | 2,165,900 | 2,165,900 | 31,075,000 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Consolidated Cash Flow Statement

for the financial year ended 31 December 2009

| | Note | Group 2009 | Group 2008 |
|---|---|---|---|
| | | $ | $ |
| **Cash flows from operating activities** | | | |
| Profit before taxation | | 11,478,502 | 10,866,548 |
| *Adjustments for:* | | | |
| Allowance for doubtful debts | | 640,996 | 1,016,694 |
| Write-back of allowance for doubtful debts | | (1,010,763) | (43,080) |
| Loss on disposal of property, plant and equipment | | 23,056 | 59,030 |
| Property, plant and equipment written off | | 53,022 | 156,361 |
| Depreciation of property, plant and equipment | | 5,856,359 | 4,518,414 |
| Allowance for stock obsolescence | | 1,046,528 | 266,672 |
| Inventories written-down | | 519,112 | 24,900 |
| Amortisation of intangible assets | | 61,294 | 11,675 |
| Share of results of associates | | 238,913 | 425,505 |
| Interest income | | (5,844) | (30,336) |
| Interest expenses | | 1,528,759 | 1,187,438 |
| Issue of shares under BKM Performance Share Plan | | 1,037,080 | – |
| **Operating cash flows before changes in working capital** | | 21,467,014 | 18,459,821 |
| Decrease/(increase) in: | | | |
| Inventories | | 4,466,837 | (4,443,000) |
| Work-in-progress in excess of progress billings | | 407,929 | (1,341,105) |
| Trade debtors | | 795,688 | (5,076,484) |
| Other debtors | | 4,778,938 | (5,204,341) |
| Prepayments | | (135,479) | (5,214) |
| Due from related parties | | (2,577,447) | (7,958,309) |
| Due from associates, net | | (61,610) | (13,953) |
| Increase/(decrease) in: | | | |
| Trade creditors | | 2,288,951 | 6,877,328 |
| Other creditors and accruals | | (6,360,870) | 9,661,809 |
| Due to related parties | | 1,604,420 | (1,759,816) |
| **Cash flows generated from operations** | | 26,674,371 | 9,196,736 |
| Interest received | | 5,844 | 30,336 |
| Interest paid | | (1,619,054) | (1,006,937) |
| Income taxes paid | | (2,665,128) | (1,713,631) |
| **Net cash flows generated from operating activities** | | 22,396,033 | 6,506,504 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Consolidated Cash Flow Statement

for the financial year ended 31 December 2009

| | Note | 2009<br>$ | 2008<br>$ |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Proceeds from disposal of property, plant and equipment | | 243,445 | 2,309,672 |
| Purchase of property, plant and equipment | 4 | (21,215,606) | (13,617,413) |
| Proceeds from minority shareholder of a subsidiary | | – | 80,000 |
| Net cash outflow on acquisition of minority interests' share in subsidiaries | | (285,340) | – |
| Investment in associate | 7 | (200,000) | – |
| **Net cash flows used in investing activities** | | (21,457,501) | (11,227,741) |
| | | | |
| **Cash flows from financing activities** | | | |
| Repayment of finance lease liabilities | | (2,301,204) | (1,792,270) |
| Decrease in bills payable to banks | | (5,213,418) | (1,435,631) |
| Proceeds from short-term bank loans | | 5,389,000 | 18,340,000 |
| Repayment of short-term bank loans | | (13,915,600) | (2,000,000) |
| Proceeds from term loans | | 11,550,000 | – |
| Repayment of term loans | | (1,283,558) | – |
| Dividends paid on ordinary shares by the Company | | (1,923,553) | (2,692,974) |
| Dividends paid to minority shareholders of a subsidiary | | – | (10,290) |
| Proceeds from issue of new ordinary shares | | 11,760,878 | – |
| **Net cash flows generated from financing activities** | | 4,062,545 | 10,408,835 |
| | | | |
| Net effect of exchange rate changes in consolidating subsidiaries | | (12,363) | (9,439) |
| Net increase in cash and cash equivalents | | 4,988,714 | 5,678,159 |
| Cash and cash equivalents at beginning of year | | 14,279,830 | 8,601,671 |
| **Cash and cash equivalents at end of year** | 14 | 19,268,544 | 14,279,830 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 1. Corporate information

Beng Kuang Marine Limited (the "Company") is a limited liability company, which is incorporated in the Republic of Singapore and publicly traded on the Singapore Exchange.

Related parties refer to Drydocks World-Southeast Asia Pte. Limited and its subsidiaries and other entities in which the Company's and its subsidiaries' shareholders or directors exercise significant influence over their financial and operating policy decisions.

The registered office of the Company is located at 55 Shipyard Road, Singapore 628141 which is also its principal place of business.

The principal activities of the Company are provision of corrosion prevention services relating to repairing of ships, tankers and other ocean-going vessels.

The principal activities of the subsidiaries are shown in Note 6 to the financial statements.

## 2. Summary of significant accounting policies

### 2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("SGD" or "$").

### 2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2009, the Group adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2009.

- FRS 1 Presentation of Financial Statements (Revised)
- Amendments to FRS 18 Revenue
- Amendments to FRS 23 Borrowing Costs
- Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 101 First-time Adoption of Financial Reporting Standards and FRS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 102 Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 107 Financial Instruments: Disclosures
- FRS 108 Operating Segments

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 2. Summary of significant accounting policies (cont'd)

### 2.2 *Changes in accounting policies (cont'd)*

- Improvements to FRSs issued in 2008
- INT FRS 113 Customer Loyalty Programmes
- INT FRS 116 Hedges of a Net Investment in a Foreign Operation
- Amendments to INT FRS 109 Reassessment of Embedded Derivatives and FRS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
- INT FRS 118 Transfers of Assets from Customers

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures.

The principal effects of these changes are as follows:

FRS 1 Presentation of Financial Statements – Revised presentation

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as two linked statements.

FRS 108 Operating Segments

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 Segment Reporting. Additional disclosures about each of the segments are shown in Note 33, including revised comparative information.

Improvements to FRSs issued in 2008

In 2008, the Accounting Standards Council issued an omnibus of amendments to FRS. There are separate transitional provisions for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- FRS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with FRS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. The Group amended its accounting policy accordingly and analysed whether Management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

**2. Summary of significant accounting policies (cont'd)**

2.2 ***Changes in accounting policies (cont'd)***

- FRS 16 Property, Plant and Equipment: Replaces the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

- FRS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method calculated in accordance with FRS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

2.3 ***Standards issued but not yet effective***

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| Amendments to INT FRS 109 *Reassessment of Embedded Derivatives* | 30 June 2009 |
| Amendments to FRS 27 *Consolidated and Separate Financial Statements* | 1 July 2009 |
| Amendments to FRS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Item* | 1 July 2009 |
| Revised FRS 103 *Business Combinations* | 1 July 2009 |
| Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* | 1 July 2009 |
| INT FRS 117 *Distributions of Non-cash Assets to Owners* | 1 July 2009 |
| Improvements to FRSs issued in 2009: | |
| – Amendments to FRS 38 *Intangible Assets* | 1 July 2009 |
| – Amendments to FRS 102 *Share-based Payment* | 1 July 2009 |
| – Amendments to FRS 108 *Operating Segments* | 1 July 2009 |
| – Amendments to INT FRS 109 *Reassessment of Embedded Derivatives* | 1 July 2009 |
| – Amendments to INT FRS 116 *Hedges of a Net Investment in a Foreign Operation* | 1 July 2009 |
| – Amendments to FRS 1 *Presentation of Financial Statements* | 1 January 2010 |
| – Amendments to FRS 7 *Statement of Cash Flows* | 1 January 2010 |
| – Amendments to FRS 17 *Leases* | 1 January 2010 |
| – Amendments to FRS 36 *Impairment of Assets* | 1 January 2010 |
| – FRS 39 *Financial Instruments: Recognition and Measurement* | 1 January 2010 |
| – Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* | 1 January 2010 |
| – Amendments to FRS 108 *Operating Segments* | 1 January 2010 |
| Amendments to FRS 102 *Share-base Payment* | 1 January 2010 |
| Amendments to FRS 32 *Financial instruments: Disclosure and Presentation* | 1 February 2010 |
| Amendments to INT FRS 114 - *The Defined Benefit Asset, Minimum Funding Requirement and their Interaction* | 1 January 2011 |
| Amendments to FRS 24 (R) - *Related Party Disclosures* | 1 January 2011 |

The directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 2. Summary of significant accounting policies (cont'd)

### 2.4 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2.8(a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

### 2.5 *Transactions with minority interests*

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with equity holders. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

### 2.6 *Foreign currency*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 2. Summary of significant accounting policies (cont'd)

### 2.6 *Foreign currency (cont'd)*

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of the foreign operation.

The assets and liabilities of foreign operations are translated into Singapore dollar at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

### 2.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the income statement.

Depreciation on the relevant assets is charged to the income statement on the basis outlined in paragraph below.

Depreciation is calculated on the straight-line method to write off the cost of property, plant and equipment over their estimated useful lives. The estimated useful lives of property, plant and equipment are as follows:

| | |
|---|---|
| Motor vehicles | 10 years |
| Computers | 3 years |
| Office equipment | 10 years |
| Furniture and fittings | 10 years |
| Forklifts | 10 years |
| Machinery, tools and equipment | 2 - 10 years |
| Air-conditioners | 5 years |
| Leasehold improvement and renovation | 3 - 10 years |
| Leasehold building | over the lease period of 20 to 50 years |
| Leasehold land | over the lease period of 30 years |

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 2. Summary of significant accounting policies (cont'd)

### 2.7 *Property, plant and equipment (cont'd)*

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the income statement in the year the asset is derecognised.

### 2.8 *Intangible assets*

#### (a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

#### (b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

**2. Summary of significant accounting policies (cont'd)**

2.8 ***Intangible assets (cont'd)***

(b) **Other intangible assets (cont'd)**

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

(i) *Research and development cost*

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the reporting year.

(ii) *Intellectual property*

Intellectual property rights acquired in business combination are measured initially at valuation. Intellectual property rights not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash generating unit level. The Company's existing intellectual property rights have a finite useful life and are amortised over the period of 8 years on a straight-line basis.

2.9 ***Impairment of non-financial assets***

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the income statement except for assets that are previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognised in equity up to the amount of any previous revaluation.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 2. Summary of significant accounting policies (cont'd)

### 2.9 *Impairment of non-financial assets (cont'd)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss be recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

### 2.10 *Subsidiaries*

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

### 2.11 *Associates*

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of profit or loss of the associate in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The financial statements of the associates are prepared as of a different reporting date from that of the Company. Adjustments are made for the effects of significant transactions or events that occur between that date and the reporting date of the Company to bring the accounting policies into line with those of the Group.

### 2.12 *Inventories and work-in-progress*

Inventories relate to trading goods and materials to be used in the rendering of services. Inventories are stated at the lower of cost (determined on a weighted average basis) and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 2. Summary of significant accounting policies (cont'd)

### 2.12 *Inventories and work-in-progress (cont'd)*

Provision is made for deteriorated, damaged, obsolete and slow-moving stocks.

Work-in-progress comprises uncompleted repair and fabrication contracts and includes cost of materials, all direct expenditure and an attributable proportion of overheads plus recognised profit less recognised losses and progress billings. Provision for foreseeable losses on uncompleted contracts is made in the year in which such losses are determined.

### 2.13 *Financial assets*

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

*Loans and receivables*

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

### 2.14 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 2. Summary of significant accounting policies (cont'd)

### 2.15 *Impairment of financial assets*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(a) **Assets carried at amortised cost**

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

(b) **Assets carried at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

### 2.16 *Financial liabilities*

Financial liabilities include trade payables, which are normally settled on 30-120 day terms, other amounts payable, payables to related parties and interest-bearing loans and borrowings.

Financial liabilities within the scope of FRS 39 are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 2. Summary of significant accounting policies (cont'd)

### 2.16 *Financial liabilities (cont'd)*

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the profit or loss. Net gains or losses on derivatives include exchange differences.

### 2.17 *Provisions*

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.18 *Financial guarantee*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are recognised initially at fair value, adjusted for transaction costs. Subsequent to initial recognition, financial guarantees are recognised as income in the profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the profit for loss.

### 2.19 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 2. Summary of significant accounting policies (cont'd)

### 2.20 *Employee benefits*

(a) **Defined contribution plan**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund (CPF), a defined contribution pension scheme in Singapore. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) **Performance Share Plan**

Employees of the Group receive remuneration in the form of fully paid shares as consideration for services rendered. The cost of these equity settled transactions with employees is measured by reference to the fair value of the shares at the date on which the shares are granted. This cost is recognised in income statement, with a corresponding increase in equity. There is no vesting period for these performance shares.

(c) **Employment leave entitlement**

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the balance sheet date.

### 2.21 *Leases*

(a) **As Lessees**

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) **As Lessor**

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(b).

# Notes to the Financial Statements
for the financial year ended 31 December 2009

## 2. Summary of significant accounting policies (cont'd)

### 2.22 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) **Revenue**

Revenue from corrosion prevention and infrastructure engineering services is recognised based on the stage of completion or to the extent of contract costs incurred where it is probable those costs will be recoverable. The stage of completion for a given project is measured by reference to the contract costs incurred to date against the estimated total costs for the contract. Revenue is recognised to the extent of contract costs incurred, in situations where the contract outcome cannot be reliably measured.

Supply and distribution revenue is recognised net of goods and services tax and discounts when goods have been delivered and accepted by the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) **Rental income**

Rental income arising from machinery is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(c) **Interest income**

Interest income is recognised using the effective interest method.

(d) **Dividend income**

Dividend income is recognised when the Group's or Company's right to receive payment is established.

### 2.23 Income tax

(a) **Current tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Current taxes are recognised in the income statement except the tax relating to items recognised directly in equity is recognised directly in equity.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 2. Summary of significant accounting policies (cont'd)

### 2.23 *Income tax (cont'd)*

#### (b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 2. Summary of significant accounting policies (cont'd)

### 2.23 *Income tax (cont'd)*

(b) **Deferred tax (cont'd)**

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(c) **Sales tax**

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

### 2.24 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.25 *Share capital and share issue expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

### 2.26 *Contingencies*

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

### 2.27 *Government grants*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

### 3.1 *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) **Revenue recognition**

The Group recognises revenue arising from provision of corrosion prevention and infrastructure engineering services to the extent of contract costs incurred where it is probable those costs will be recoverable or based on the stage of completion method. The stage of completion is measured by reference to the contract costs incurred to date and the estimated total costs for the contract.

Significant judgment is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract costs, as well as the recoverability of the contract costs incurred. Total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgment, the Group relies on past experience and history of settlements with the customers.

(b) **Income taxes**

The Group has operations in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether the tax liabilities would crystalise. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and deferred tax liabilities at 31 December 2009 was $3,016,505 (2008: $3,077,133) and $866,372 (2008: $825,383) respectively.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 3. Significant accounting judgements and estimates (cont'd)

### 3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) **Useful lives of property, plant and equipment**

The cost of plant and equipment is depreciated on a straight-line basis over the plant and equipment's estimated useful lives. Management estimates the useful lives of these machinery, tools and equipment to be within 10 years. The carrying amount of the Group's machinery, tools and equipment at 31 December 2009 is stated in Note 4 to the financial statements. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) **Impairment of non-financial assets**

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Further details of the key assumptions applied in the impairment assessment of goodwill, are given in Note 5 to the financial statements.

(c) **Impairment of loans and receivables**

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the balance sheet date is disclosed in Note 11 to the financial statements.

# Notes to the Financial Statements
for the financial year ended 31 December 2009

## 4. Property, plant and equipment

| Group | Motor vehicles | Computers | Office equipment | Furniture and fittings | Forklifts | Machinery, tools and equipment | Air-condi-tioners | Leasehold improvement and renovation | Leasehold building | Lease-hold land | Yard develop-ment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Cost :-** | | | | | | | | | | | | | |
| At 1 January 2008 | 2,785,822 | 863,386 | 480,099 | 136,880 | 1,577,335 | 19,768,569 | 109,698 | 2,697,048 | 2,492,461 | 1,836,367 | – | 229,500 | 32,977,165 |
| Reclassification | (2,417) | 15,449 | 63,290 | (25,684) | (223,563) | 296,550 | – | (116,778) | (1,136,578) | – | 1,359,231 | (229,500) | – |
| Additions | 756,857 | 373,234 | 85,452 | 16,474 | 798,602 | 10,227,344 | 573 | 288,210 | – | – | 4,037,443 | 864,854 | 17,449,043 |
| Disposals/written-off | (336,556) | – | (19,527) | – | (366,530) | (3,493,718) | – | – | (341,918) | – | – | – | (4,558,249) |
| Net exchange differences | (3,176) | – | (1,349) | (97) | – | (1,921) | (251) | (33) | – | – | – | – | (6,827) |
| At 31 December 2008 and 1 January 2009 | 3,200,530 | 1,252,069 | 607,965 | 127,573 | 1,785,844 | 26,796,824 | 110,020 | 2,868,447 | 1,013,965 | 1,836,367 | 5,396,674 | 864,854 | 45,861,132 |
| Reclassification | – | 3,345 | (31,166) | 46,809 | 303,450 | (320,138) | (2,300) | (3,321) | – | – | (1,842,140) | 1,845,461 | – |
| Additions | 150,196 | 429,331 | 52,445 | 9,520 | 292,940 | 3,724,445 | 11,761 | 459,414 | 7,410,600 | – | 376,396 | 8,298,558 | 21,215,606 |
| Disposals/written-off | (326,867) | (4,126) | (5,632) | – | (169,122) | (547,703) | (1,428) | – | – | – | – | – | (1,054,878) |
| Net exchange differences | (960) | – | (484) | (29) | – | (529) | (84) | (86) | – | – | – | – | (2,172) |
| At 31 December 2009 | 3,022,899 | 1,680,619 | 623,128 | 183,873 | 2,213,112 | 29,652,899 | 117,969 | 3,324,454 | 8,424,565 | 1,836,367 | 3,930,930 | 11,008,873 | 66,019,688 |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 4. Property, plant and equipment (cont'd)

| Group | Motor vehicles | Computers | Office equipment | Furniture and fittings | Forklifts | Machinery, tools and equipment | Air-conditioners | Leasehold improvement and renovation | Leasehold building | Leasehold land | Yard development | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Accumulated depreciation :-** | | | | | | | | | | | | | |
| At 1 January 2008 | 1,238,291 | 437,655 | 408,659 | 118,011 | 542,116 | 7,307,127 | 97,860 | 2,010,322 | 465,452 | – | – | – | 12,625,493 |
| Reclassification | (8,257) | 3,298 | 46,341 | (28,165) | 4,437 | (20,398) | – | (96,739) | 99,483 | – | – | – | – |
| Charge for the year | 256,985 | 193,687 | 77,053 | 16,871 | 228,143 | 3,408,241 | 10,211 | 255,197 | 72,026 | – | – | – | 4,518,414 |
| Disposals/written-off | (164,705) | – | (9,599) | – | (272,256) | (1,373,498) | – | – | (213,129) | – | – | – | (2,033,187) |
| Net exchange differences | (166) | – | (818) | (110) | – | (1,189) | (102) | (11) | – | – | – | – | (2,396) |
| At 31 December 2008 and 1 January 2009 | 1,322,148 | 634,640 | 521,636 | 106,607 | 502,440 | 9,320,283 | 107,969 | 2,168,769 | 423,832 | – | – | – | 15,108,324 |
| Reclassification | 10,815 | 6,752 | (24,443) | 45,453 | 43,314 | (72,712) | (7,071) | (2,108) | – | – | – | – | – |
| Charge for the year | 290,137 | 317,219 | 62,220 | 17,016 | 348,618 | 4,206,193 | 4,647 | 326,367 | 107,956 | – | 175,986 | – | 5,856,359 |
| Disposals/written-off | (200,300) | (1,776) | (888) | (612) | (85,820) | (444,635) | (1,324) | – | – | – | – | – | (735,355) |
| Net exchange differences | (229) | – | (344) | (31) | – | (491) | (48) | (41) | – | – | – | – | (1,184) |
| At 31 December 2009 | 1,422,571 | 956,835 | 558,181 | 168,433 | 808,552 | 13,008,638 | 104,173 | 2,492,987 | 531,788 | – | 175,986 | – | 20,228,144 |
| **Net carrying amount :-** | | | | | | | | | | | | | |
| At 31 December 2008 | 1,878,382 | 617,429 | 86,329 | 20,966 | 1,283,404 | 17,476,541 | 2,051 | 699,678 | 590,133 | 1,836,367 | 5,396,674 | 864,854 | 30,752,808 |
| At 31 December 2009 | 1,600,328 | 723,784 | 64,947 | 15,440 | 1,404,560 | 16,644,261 | 13,796 | 831,467 | 7,892,777 | 1,836,367 | 3,754,944 | 11,008,873 | 45,791,544 |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

4. **Property, plant and equipment (cont'd)**

| **Company** | **Motor vehicles** | **Computers** | **Office equipment** | **Furniture and fittings** | **Forklifts** | **Tools and equipment** | **Air-conditioners** | **Renovation** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Cost :-** | | | | | | | | | |
| At 1 January 2008 | 733,118 | 513,550 | 58,048 | 64,424 | 445,530 | 1,443,998 | 28,090 | 56,965 | 3,343,723 |
| Additions | 373,739 | 209,521 | 2,760 | – | – | – | – | 71,880 | 657,900 |
| Disposals | (176,729) | – | – | – | (314,000) | (213,420) | – | – | (704,149) |
| At 31 December 2008 and 1 January 2009 | 930,128 | 723,071 | 60,808 | 64,424 | 131,530 | 1,230,578 | 28,090 | 128,845 | 3,297,474 |
| Additions | – | 123,205 | 7,937 | – | – | – | 9,740 | 64,860 | 205,742 |
| Disposals | (35,000) | – | – | – | – | – | – | – | (35,000) |
| At 31 December 2009 | 895,128 | 846,276 | 68,745 | 64,424 | 131,530 | 1,230,578 | 37,830 | 193,705 | 3,468,216 |
| **Accumulated depreciation :-** | | | | | | | | | |
| At 1 January 2008 | 365,846 | 222,141 | 50,865 | 58,091 | 333,939 | 1,377,262 | 28,090 | 54,599 | 2,490,833 |
| Charge for the year | 62,529 | 119,046 | 3,412 | 2,567 | 9,434 | 31,531 | – | 9,557 | 238,076 |
| Disposals | (101,530) | – | – | – | (256,497) | (210,693) | – | – | (568,720) |
| At 31 December 2008 and 1 January 2009 | 326,845 | 341,187 | 54,277 | 60,658 | 86,876 | 1,198,100 | 28,090 | 64,156 | 2,160,189 |
| Charge for the year | 78,067 | 196,871 | 4,360 | 1,576 | 5,253 | 24,610 | – | 15,091 | 325,828 |
| Disposals | (35,000) | – | – | – | – | – | – | – | (35,000) |
| At 31 December 2009 | 369,912 | 538,058 | 58,637 | 62,234 | 92,129 | 1,222,710 | 28,090 | 79,247 | 2,451,017 |
| **Net carrying amount :-** | | | | | | | | | |
| At 31 December 2008 | 603,283 | 381,884 | 6,531 | 3,766 | 44,654 | 32,478 | – | 64,689 | 1,137,285 |
| At 31 December 2009 | 525,216 | 308,218 | 10,108 | 2,190 | 39,401 | 7,868 | 9,740 | 114,458 | 1,017,199 |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 4. Property, plant and equipment (cont'd)

***Assets held under finance lease***

As at 31 December 2009, the Group had motor vehicles, forklift and machinery, tools and equipment purchased under finance lease contracts with carrying amount of $536,803 (2008: $647,098); $171,000 (2008: $216,430) and $6,345,269 (2008: $7,618,857) respectively.

For the purpose of the consolidated cash flow statement during the financial year, the Group acquired fixed assets with an aggregate cost of $21,215,606 (2008: $17,449,043) of which $Nil (2008: $3,831,630) were acquired by means of lease agreements and cash payments of $21,215,606 (2008: $13,617,413).

***Capitalisation of staff cost***

Staff costs recognised in Construction in progress for the financial year ended 31 December 2009 amounted to $167,713 (2008: $45,492).

***Assets pledged as security***

The Group's leasehold building with carrying amount of $7,319,475 (2008: $Nil) is mortgaged to secure the Group's bank loan (Note 17).

## 5. Intangible assets

| | Goodwill | Intellectual property rights | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Group** | | | |
| **Cost:** | | | |
| At 1 January 2008 | 2,268,787 | 467,000 | 2,735,787 |
| At 31 December 2008, 1 January 2009 and 31 December 2009 | 2,268,787 | 467,000 | 2,735,787 |
| **Accumulated amortisation:** | | | |
| At 1 January 2008 | – | – | – |
| Amortisation | – | 11,675 | 11,675 |
| At 31 December 2008 and 1 January 2009 | – | 11,675 | 11,675 |
| Amortisation | – | 61,294 | 61,294 |
| At 31 December 2009 | – | 72,969 | 72,969 |
| **Net carrying amount:** | | | |
| At 31 December 2008 | 2,268,787 | 455,325 | 2,724,112 |
| At 31 December 2009 | 2,268,787 | 394,031 | 2,662,818 |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 5. Intangible assets (cont'd)

***Intellectual property rights***

The Group holds two patent applications, namely Nano-Structured Photocatalytic Oxidation Process and Rotating Flow Membrane. Patents are amortised 8 years from the date of commercialisation and have a remaining amorisation period of 6 years (2008: 7 years). As at 31 December 2009, the carrying amounts of these patents were $394,031 (2008: $455,325).

***Impairment testing of goodwill***

Goodwill acquired through the business combination has been allocated to environment and resources as a cash generating unit for impairment testing. The recoverable amount for the cash generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets by management covering a five-year period.

The following describes each key assumption in which management has based its cash flow projections to undertake impairment testing of goodwill:

- Forecasted completion of plant in FY2010 and commencement of operating and sales activities in the fourth quarter of FY2010;
- Budgeted sales of approximately $0.8 million in FY2010. Sales is forecasted to increase to approximately $7.6 million in FY2011 and by 14% in FY2012, 7% in FY2013 and 3% in FY2014;
- Costs of sales of approximately $0.5 million in FY2010. Cost of sales is forecasted to increase to approximately $4 million in FY2011, 10% in FY2012 and thereafter 3% annually to FY2014;
- Capital expenditure of approximately $15.8 million in FY2010; and
- Long term growth rates of 3% and weighted average costs of capital of approximately 9%.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 6. Investment in subsidiaries

| | Company 2009 $ | Company 2008 $ |
|---|---|---|
| Unquoted equity shares, at cost | 9,392,085 | 8,980,971 |

Details of the subsidiaries as at 31 December are as follows:

| Name of subsidiary | Principal activities | Country of incorporation and place of business | Effective equity held by the Group 2009 % | Effective equity held by the Group 2008 % | Cost of investment held by the Company 2009 $ | Cost of investment held by the Company 2008 $ |
|---|---|---|---|---|---|---|
| **Held by the Company** | | | | | | |
| Nexus Sealand Trading Pte Ltd # | Supply and distribution of products | Singapore | 100 | 100 | 2 | 2 |
| Asian Sealand Engineering Pte Ltd # | Provision of infrastructure engineering services | Singapore | 100 | 100 | 1,800,000 | 1,800,000 |
| PT Nexus Engineering Indonesia (2) | Provision of corrosion prevention and infrastructure engineering services | Indonesia | 100(1) | 100(1) | 388,233 | 335,972 |
| PT Master Indonesia | Supply and distribution of products | Indonesia | 100(1) | 100(1) | 177,000 | 177,000 |
| B & J Marine Pte. Ltd. # | Provision of hydro-jetting and tank cleaning services | Singapore | 51 | 51 | 51,000 | 51,000 |
| B & K Marine Pte. Ltd. # | Provision of corrosion prevention services | Singapore | 100 | 100 | 100,000 | 100,000 |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 6. Investment in subsidiaries (cont'd)

| Name of subsidiary | Principal activities | Country of incorporation and place of business | Effective equity held by the Group | | Cost of investment held by the Company | |
|---|---|---|---|---|---|---|
| | | | 2009 | 2008 | 2009 | 2008 |
| | | | % | % | $ | $ |
| **Held by the Company** | | | | | | |
| Beng Kuang Marine (B&Chew) Pte. Ltd. # | Provision of corrosion prevention services | Singapore | 100 | 100 | 100,000 | 100,000 |
| Beng Kuang Marine (B&M) Pte. Ltd. # | Provision of corrosion prevention services | Singapore | 100 | 100 | 100,000 | 100,000 |
| Beng Kuang Marine (B&Y) Pte. Ltd. # | Provision of corrosion prevention services | Singapore | 100 | 100 | 100,000 | 100,000 |
| Nexus Hydrotech Pte. Ltd. # | Provision of corrosion prevention services (utilising hydro-jetting machines) | Singapore | 80 | 80 | 80,000 | 80,000 |
| ASIC Engineering Sdn Bhd ^ | Provision of infrastructure engineering services | Malaysia | 100 | 100 | 43,479 | 43,479 |
| Venture Automation & Engineering Pte. Ltd. # | Provision of industrial & marine automation works | Singapore | 51 | 51 | 102,000 | 102,000 |
| Pangco Pte. Ltd. # | Provision of corrosion prevention services | Singapore | 51 | 51 | 51 | 51 |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 6. Investment in subsidiaries (cont'd)

| Name of subsidiary | Principal activities | Country of incorporation and place of business | Effective equity held by the Group | | Cost of investment held by the Company | |
|---|---|---|---|---|---|---|
| | | | 2009 | 2008 | 2009 | 2008 |
| | | | % | % | $ | $ |
| **Held by the Company** | | | | | | |
| Water & Environmental Technologies (WET) Pte. Ltd. # | Provision of research & development, and solution for waste management | Singapore | 51 | 51 | 5,711,465 | 5,711,465 |
| Asian Sealand Automation Pte. Ltd. # | Provision of automated engineering services | Singapore | 100 | 100 | 258,855 | 2 |
| PT Nexelite CP Indonesia | Provision of corrosion prevention services | Indonesia | 100(1) | 100 | 280,000 | 280,000 |
| Drako Shipping Pte. Ltd. # (formally known as Drako Derrick Service Pte. Ltd.) | Provision of freight transport services | Singapore | 100 | – | 100,000 | – |
| | | | | | 9,392,085 | 8,980,971 |
| **Held by Nexus Sealand Trading Pte Ltd** | | | | | | |
| BT Asia Marketing & Engineering Pte Ltd # | Trading of copper slag and waste management | Singapore | 100 | 100 | – | – |
| Picco Enterprise Pte. Ltd. # | Supply and distribution of products | Singapore | 100 | 100 | – | – |
| Onehub Tank Coating Pte. Ltd.# | Provision for internal tank coating services | Singapore | 100 | 100 | – | – |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 6. Investment in subsidiaries (cont'd)

| Name of Subsidiary | Principal activities | Country of incorporation and place of business | Effective equity held by the Group 2009 % | Effective equity held by the Group 2008 % |
|---|---|---|---|---|
| **Held by Water & Environmental Technologies (WET) Pte. Ltd.** | | | | |
| Pureflow Pte. Ltd. # | Provision of water & waste water treatment, recycling, consultancy & management services | Singapore | 51 | 51 |
| Asia Recovery Centre Pte. Ltd. # | Provision of water, waste treatment and oilfield chemical | Singapore | 51[3] | 30.6 |
| **Held by Pangco Pte Ltd** | | | | |
| PT Berger Batam | Provision of corrosion prevention services | Indonesia | 51[1] | 51[1] |
| **Held by Asian Sealand Engineering Pte Ltd** | | | | |
| Drako Shipping Pte. Ltd. # (formally known as Drako Derrick Service Pte. Ltd.) | Provision of freight transport services | Singapore | - | 100 |

\# Audited by Ernst & Young LLP Singapore.
^ Audited by Ernst & Young Malaysia.
(1) 1% of the shareholding is held in trust for the Group by an employee of the Group.
(2) Audited by Kantor Akuntan Publik Charles & Nurlena, Indonesia
(3) 100% of the shareholding is held by Pureflow Pte. Ltd.

### Acquisition of indirect wholly-owned subsidiary

On 15 December 2009, the Company acquired a 100% equity interest Drako Shipping Pte. Ltd (DSP) from its wholly-owned subsidiary Asian Sealand Engineering Pte Ltd. Upon the acquisition, DSP became a direct wholly owned subsidiary of the Company.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 6. Investment in subsidiaries (cont'd)

### Acquisition of minority interests

On 31 August 2009, Pureflow Pte. Ltd. acquired an additional 40% equity interest from the minority shareholders of Asia Recovery Centre Pte. Ltd. ("ARC") for a cash consideration $26,487. Consequently, ARC became a wholly-owned subsidiary of Pureflow Pte. Ltd.. On the date of the acquisition, the book value of the additional interest acquired in ARC was $23,775. The difference of $2,712 between the consideration and the book value of the interest acquired has been reflected in equity as premium paid on acquisition of minority interests.

On 31 March 2009, the Company acquired the other 50% equity interest with a book value of $258,853 from the other shareholder of Asian Sealand Automation Pte Ltd ("ASA") for a cash consideration of $258,853. Consequently, ASA became a wholly owned subsidiary of the company.

## 7. Investment in associates

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| Shares, at cost | 4,616,573 | 4,616,573 | – | – |
| Additional investment | 200,000 | – | 200,000 | – |
| Share of post-acquisition losses | (664,418) | (425,505) | – | – |
| | 4,152,155 | 4,191,068 | 200,000 | – |

| Name of associate | Principal activities | Country of incorporation and place of business | Effective equity held by the Group 2009 % | Effective equity held by the Group 2008 % |
|---|---|---|---|---|
| **Held by the Company** | | | | |
| Quill Marine Pte. Ltd. | Rental and sales of wet blasting machines and related business | Singapore | 50.0 | – |
| **Held by Water and Environmental Technologies (WET) Pte. Ltd.** | | | | |
| NewEarth Pte. Ltd.[1] | Solid waste management | Singapore | 20.4 | 20.4 |
| NewEarth Singapore Pte. Ltd.[1] | Solid waste management | Singapore | 14.7 | 14.7 |

[1] Audited by KPMG LLP Singapore.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 7. Investment in associates (cont'd)

The summarised financial information of the associates, based on unaudited management account is set out below. The summarised financial information is not adjusted for the proportion of ownership interest held by the Group.

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| **Assets and liabilities:** | | | | |
| Total assets | 11,024,125 | 11,391,520 | 442,202 | – |
| Total liabilities | (150,209) | (144,128) | (75,722) | – |
| **Results** | | | | |
| Loss for the year | (588,901) | (1,063,761) | (33,520) | – |

## 8. Due from subsidiaries (non-trade)

The amount is unsecured, bears fixed rate of interest at 6.80% (2008: 6.80%) per annum and is not expected to be repaid within the next 12 months.

## 9. Inventories

| | Group | |
|---|---|---|
| | 2009 | 2008 |
| | $ | $ |
| Trading goods | 8,301,666 | 14,026,418 |
| Materials for own use | 718,820 | 1,026,545 |
| Total inventories at lower of cost and net realisable value | 9,020,486 | 15,052,963 |
| Income statement: | | |
| Inventories recognised as an expense in cost of sales | 31,721,984 | 40,296,480 |
| Inclusive of the following charge: | | |
| - Allowance for stock obsolescence | 1,046,528 | 266,672 |
| - Inventories written-down | 519,112 | 24,900 |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 10. Work-in-progress in excess of progress billings

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| Costs incurred to date | 75,360,938 | 56,043,643 | 17,708,953 | 15,686,102 |
| Add: Attributable profits | 3,160,304 | 42,809 | 1,431,594 | – |
| | 78,521,242 | 56,086,452 | 19,140,547 | 15,686,102 |
| Less: Progress billings | (69,278,031) | (46,435,312) | (16,860,906) | (12,582,629) |
| | 9,243,211 | 9,651,140 | 2,279,641 | 3,103,473 |
| Retention sums on construction contact included in trade debtors | 1,230,032 | – | – | – |

## 11. Trade and other debtors

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| **Trade and other debtors (current)** | | | | |
| Trade debtors | 22,313,238 | 22,613,097 | – | – |
| Other debtors (Note 12) | 2,040,637 | 6,945,637 | 452,521 | 550,778 |
| Due from subsidiaries (trade) | – | – | 3,701,676 | 3,017,935 |
| Due from subsidiaries (non- trade) (Note 13) | – | – | 33,630,568 | 35,411,366 |
| Due from related parties (trade) | 22,422,904 | 19,862,666 | 6,479,685 | 6,797,317 |
| Due from related parties (non-trade) (Note 13) | 17,209 | – | 17,209 | – |
| Due from associates (trade) | – | 20,087 | – | – |
| Due from associates (non-trade) (Note 13) | 81,697 | – | 68,000 | – |
| | 46,875,685 | 49,441,487 | 44,349,659 | 45,777,396 |
| Due from subsidiary (non-current) (Note 8) | – | – | 51,382 | 236,378 |
| Total trade and other debtors (current and non-current) | 46,875,685 | 49,441,487 | 44,401,041 | 46,013,774 |
| Add: Cash and cash equivalents (Note 14) | 19,268,544 | 14,279,830 | 5,865,041 | 2,113,450 |
| Total loans and receivables | 66,144,229 | 63,721,317 | 50,266,082 | 48,127,224 |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 11. Trade and other debtors (cont'd)

Trade debtors

Trade debtors are non-interest bearing and are generally on 30 to 120 days' payment terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| Trade debtors | 24,317,879 | 27,378,443 | – | 3,589 |
| Less: Estimated rebates / discounts | (1,178,360) | (2,558,274) | – | – |
| | 23,139,519 | 24,820,169 | – | 3,589 |
| Allowance for doubtful debts | (826,281) | (2,207,072) | – | (3,589) |
| | 22,313,238 | 22,613,097 | – | – |

Debtors that are past due but not impaired

The Group has trade debtors amounting to $8,332,737 (2008: $8,596,921) that are past due at the balance sheet date but not impaired. These debtors are unsecured and the analysis of their aging at the balance sheet date is as follows:

| | Group | |
|---|---|---|
| | 2009 | 2008 |
| | $ | $ |
| Trade debtors past due : | | |
| Less than 30 days | 3,711,419 | 3,059,880 |
| 30 to 60 days | 2,604,676 | 2,756,842 |
| 61 to 90 days | 762,836 | 669,038 |
| 91 to 120 days | 1,253,806 | 2,111,161 |
| | 8,332,737 | 8,596,921 |

Debtors that are impaired

The Group's trade debtors that are impaired at the balance sheet date and the movements of the allowance account used to record the impairment are as follows:

| | | |
|---|---|---|
| Trade debtors - nominal amounts | 5,506,273 | 8,341,543 |
| Less: Estimated rebates / discounts | (1,178,360) | (2,558,274) |
| Less: Allowance for impairment | (826,281) | (2,207,072) |
| | 3,501,632 | 3,576,197 |
| Movement in allowance accounts : | | |
| At 1 January | 2,207,072 | 1,333,153 |
| Charge for the year | 514,934 | 1,016,694 |
| Written off against allowance | (884,962) | (99,695) |
| Write-back | (1,010,763) | (43,080) |
| At 31 December | 826,281 | 2,207,072 |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 11. Trade and other debtors (cont'd)

Trade debtors that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These debtors are not secured by any collateral or credit enhancements.

Amount due from subsidiaries / related parties / associates

These are non-interest bearing and subject to normal credit terms of 30 to 120 days.

## 12. Other debtors

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **$** | **$** | **$** | **$** |
| Staff loans | 30,849 | 3,630 | 500 | 500 |
| Sundry debtors | 1,281,210 | 6,125,615 | 85,492 | 152,794 |
| Refundable deposits | 447,760 | 476,436 | – | – |
| Others | 280,818 | 339,956 | 366,529 | 397,484 |
| | 2,040,637 | 6,945,637 | 452,521 | 550,778 |

Sundry debtors are stated net of allowance for doubtful debt.

| | Group | |
|---|---|---|
| | **2009** | **2008** |
| | **$** | **$** |
| Sundry debtors | 1,407,272 | 6,125,615 |
| Less: Allowance for doubtful debt | (126,062) | – |
| | 1,281,210 | 6,125,615 |
| Movement in allowance accounts : | | |
| At 1 January | – | – |
| Charge for the year | 126,062 | – |
| At 31 December | 126,062 | – |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 13. Due from/to subsidiaries / related parties / associates (non-trade)

These amounts are unsecured, interest-free and are repayable on demand except for:-

(i) an amount due from certain subsidiaries of $11,544,120 (2008: $18,741,360) which bears floating rate of interest at 0.78% to 3.36% (2008: 0.81% to 4.10%) per annum and is repayable on demand; and

(ii) an amount due from certain subsidiaries of $1,777,032 (2008: $3,470,600) which bears fixed rate of interest at 5.00% to 6.80% (2008: 5.00% to 6.80%) per annum and is repayable on demand.

## 14. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts:

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **$** | **$** | **$** | **$** |
| Cash and bank balances | | | | |
| - non-interest bearing | 15,814,477 | 8,282,211 | 5,865,041 | 2,113,450 |
| - interest bearing | 2,472,019 | 6,001,043 | – | – |
| | 18,286,496 | 14,283,254 | 5,865,041 | 2,113,450 |
| Fixed deposits | 982,048 | 862,913 | – | – |
| Bank overdrafts (Note 17) | – | (866,337) | – | – |
| | 19,268,544 | 14,279,830 | 5,865,041 | 2,113,450 |

Cash and bank balances earn interest at rates ranging from 0.13% to 2.50% (2008: 0.000105% to 2.25%) per annum.

Fixed deposits with financial institutions mature in varying periods within 3 months from the financial year end at a floating rate of 0.10% to 3.10% (2008: 0.50% to 4.50%) per annum. Included in cash and cash equivalents for the Group are $2,044,449 (2008: $2,559,855), $577,570 (2008: $61,149) and $1,839,013 (2008: $1,128,854) denominated in United States dollars, Indonesian rupiah and Malaysian ringgit, respectively.

Bank overdrafts are included in the determination of cash and cash equivalents because they form an integral part of the Group's cash management.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 15. Trade and other creditors

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| Trade creditors | 19,710,962 | 17,422,011 | 88,020 | 23,630 |
| Other creditors and accruals (Note 16) | 15,281,838 | 21,642,708 | 3,119,184 | 4,835,155 |
| Due to subsidiaries (trade) | – | – | 3,667,391 | 6,053,958 |
| Due to subsidiaries (non-trade) (Note 13) | – | – | 385,959 | 44,346 |
| Due to related parties (trade) | 1,853,463 | 281,325 | 305,842 | 115,350 |
| Due to related parties (non-trade) (Note 13) | 289,465 | 257,183 | – | – |
| Total trade and other creditors | 37,135,728 | 39,603,227 | 7,566,396 | 11,072,439 |
| Add: Loans and borrowings (Note 17) | 36,527,711 | 43,259,122 | 24,514,509 | 30,968,000 |
| Total financial liabilities carried at amortised cost | 73,663,439 | 82,862,349 | 32,080,905 | 42,040,439 |

Trade creditors

Trade creditors are non-interest bearing and are normally settled on 60 to 120 days' terms.

Amount due to subsidiaries / related parties

These are unsecured, non-interest bearing and subject to normal credit terms of 30 to 120 days.

## 16. Other creditors and accruals

| | | | | |
|---|---|---|---|---|
| Other creditors | 1,742,852 | 4,232,258 | 652,441 | 394,149 |
| Accrued operating expenses | 13,538,986 | 17,410,450 | 2,466,743 | 4,441,006 |
| | 15,281,838 | 21,642,708 | 3,119,184 | 4,835,155 |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 17. Loans and borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| **Current** | | | | |
| Lease obligations (Note 18) | 1,642,903 | 2,308,590 | 49,996 | 50,925 |
| Bank overdrafts | – | 866,337 | – | – |
| Short-term bank loans | 22,813,863 | 31,462,063 | 20,000,463 | 30,004,878 |
| Term loans | 2,677,859 | – | 1,257,791 | – |
| Bills payable to banks | 955,914 | 6,169,332 | – | 780,941 |
| | 28,090,539 | 40,806,322 | 21,308,250 | 30,836,744 |
| **Non-current** | | | | |
| Lease obligations (Note 18) | 817,283 | 2,452,800 | 81,259 | 131,256 |
| Term loans | 7,619,889 | – | 3,125,000 | – |
| | 8,437,172 | 2,452,800 | 3,206,259 | 131,256 |
| Total loans and borrowings | 36,527,711 | 43,259,122 | 24,514,509 | 30,968,000 |

Bank overdrafts / bills payable to banks

The bank overdrafts and bills payable are unsecured and they bear floating rate of interest at 4.25% to 5.75% (2008: 4.50% to 5.50%) and 2.17% to 3.72% (2008: 2.13% to 4.63%) per annum, respectively.

Short-term bank loans

The short-term bank loans are unsecured and bear floating rates of interest ranging from 1.73% to 6.10% (2008: 1.98% to 6.10%) per annum which are also the effective interest rates. The repricing interval for the interest rate ranges from 1 to 3 months. Included in short-term bank loans is interest payable of $100,463 (2008: $222,064). Included in short-term bank loans is $2,812,223 (2008:$1,440,000) denominated in United States dollars.

Term loans

Term loans comprise:

a) a bank loan of the Company of $5,000,000 (2008: Nil) which is denominated in Singapore dollars and repayable in 16 equal quarterly instalments of $312,500 each. Loan repayment commenced in August 2009. The loan bears fixed interest rate of 5.0% (2008: Nil) per annum.

b) a bank loan of a subsidiary of $1,000,000 (2008: Nil) which is denominated in Singapore dollars and repayable in 48 equal monthly instalments of approximately $20,833 each. Loan repayment commenced in June 2009. The loan bears fixed interest rate of 5.0% (2008: Nil) per annum.

c) a bank loan of a subsidiary of $1,000,000 (2008: Nil) which is denominated in Singapore dollars and repayable in 47 monthly instalments and a final instalment of $22,002. Loan repayment commenced in October 2009. The loan bears fixed interest rate of 5.0% (2008: Nil) per annum.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 17. Loans and borrowings (cont'd)

d) a term loan of a subsidiary of $4,550,000 (2008: Nil) which is denominated in Singapore dollars and repayable in 59 equal monthly instalments of $76,000 each and a final instalment of $66,000. Loan repayment commenced in July 2009. The loan is supported by a corporate guarantee by the Company. The loan bears floating interest rate from 3.83% to 3.98% (2008: Nil) per annum.

The term loans identified in paragraph (a), (b) and (c) are unsecured. The term loan identified in paragraph (d) is secured by a first mortgage over the Group's leasehold building as disclosed in Note 4 to the financial statements. Included in term loans is interest payable of $31,306 (2008: Nil).

## 18. Lease obligations

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | Minimum lease payments | Interest | Present value of payments | Minimum lease payments | Interest | Present value of payments |
| | $ | $ | $ | $ | $ | $ |
| **Group** | | | | | | |
| Within 1 year | 1,778,292 | 135,389 | 1,642,903 | 2,500,613 | 192,023 | 2,308,590 |
| Within 2 to 5 years | 876,749 | 72,934 | 803,815 | 2,639,617 | 206,717 | 2,432,900 |
| More than 5 years | 15,613 | 2,145 | 13,468 | 23,064 | 3,164 | 19,900 |
| | 892,362 | 75,079 | 817,283 | 2,662,681 | 209,881 | 2,452,800 |
| | 2,670,654 | 210,468 | 2,460,186 | 5,163,294 | 401,904 | 4,761,390 |
| **Company** | | | | | | |
| Within 1 year | 54,756 | 4,760 | 49,996 | 55,888 | 4,963 | 50,925 |
| Within 2 to 5 years | 88,995 | 7,736 | 81,259 | 143,751 | 12,495 | 131,256 |
| | 88,995 | 7,736 | 81,259 | 143,751 | 12,495 | 131,256 |
| | 143,751 | 12,496 | 131,255 | 199,639 | 17,458 | 182,181 |

Finance leases bear interest ranging from 2.00% to 2.75% (2008: 2.00 % to 3.60%) per annum. The effective interest rates range from 4.13% to 5.45% (2008: 4.13% to 7.06%) per annum.

All assets acquired under finance leases are charged to secure the obligations under the finance leases. The carrying amount of assets acquired under finance leases is disclosed in Note 4 to the financial statements.

The finance leases do not contain any escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debts or entering into other leasing agreements.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 19. Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | 2009 | | 2008 | |
| | No. of shares | $ | No. of shares | $ |
| Issued and fully paid: | | | | |
| At 1 January | 384,710,625 | 16,111,142 | 384,710,625 | 16,111,142 |
| Issuance of shares | 51,000,000 | 11,800,000 | – | – |
| Issue of shares under BKM Performance Share Plan | 5,331,000 | 1,066,200 | – | – |
| Share issue expenses | – | (68,242) | – | – |
| At 31 December | 441,041,625 | 28,909,100 | 384,710,625 | 16,111,142 |

The holders of ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

On 7 September 2009, the Company entered into a subscription agreement with subscribers for the issuance of 38,000,000 ordinary shares at an issue price of $0.225 per share. For a consideration of $1 payable by each subscriber, the Company further granted the subscribers call options to subscribe for another 38,000,000 ordinary shares at an exercise price of $0.25 per option share. As at 31 December 2009, the subscribers had exercised options for 13,000,000 option shares and as at that date, there were unexercised options for 25,000,000 shares. Refer to Note 37 for options exercised subsequent to the year end.

The BKM Performance Share Plan ("PSP") was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 27 April 2009. On 21 August 2009, the Company granted the performance shares to eligible employees. There was no vesting period for these shares and the shares are not transferable or sellable within 6 month from the grant date. The plan shall continue to be in force at the decision of Remuneration Committee subject to a maximum period of 10 years commencing on the date on which the PSP comes into effect. The PSP may continue beyond the above stipulated period with the approval of the Company's shareholders by ordinary resolution in general meeting.

## 20. Dividends

| | Company | |
|---|---|---|
| | 2009 | 2008 |
| | $ | $ |
| **Declared and paid during the financial year:** | | |
| *Dividends on ordinary shares:* | | |
| - Final exempt (one- tier) dividend for 2009: 0.50cents (2008: 0.70cents) per share. | 1,923,553 | 2,692,973 |
| **Proposed but not recognised as a liability as at 31 December:** | | |
| *Dividends on ordinary shares, subject to shareholders' approval at the AGM:* | | |
| - Final exempt (one-tier) dividend for 2009: 0.50 cents (2008: 0.50 cents) per share | 2,205,208 | 1,923,553 |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 21. Revenue

| | Group | |
|---|---|---|
| | 2009 | 2008 |
| | $ | $ |
| Corrosion prevention services | 58,278,259 | 64,246,612 |
| Infrastructure engineering services | 57,034,471 | 39,835,732 |
| Supply and distribution of products | 23,092,660 | 27,305,023 |
| Environment and resource | 52,582 | 69,290 |
| | 138,457,972 | 131,456,657 |

Revenue is stated net of estimated rebates and discounts.

## 22. Other operating income - net

| | | |
|---|---|---|
| Loss on disposal of property, plant and equipment | (23,056) | (59,030) |
| Net foreign exchange (loss)/gain | (166,600) | 493,220 |
| Property, plant and equipment written off | (53,022) | (156,361) |
| Grant income from Jobs Credit Scheme | 456,403 | – |
| Other income | 489,377 | 650,338 |
| | 703,102 | 928,167 |

On 22 January 2009, the Minister of Finance announced the Jobs Credit Scheme in his Budget Speech. The objective of the Jobs Credit Scheme is to encourage businesses to preserve jobs in the downturn. This Scheme is being phased out in 2010.

Under this Scheme, the Group received a 12% cash grant on the first $2,500 of each month's wages for each employee on their Central Provident Fund payroll. The Group received its grant income of $456,403 (2008: nil) in four receipts in March, June, September and December 2009.

The grant income is classified under "Other operating income" line in the consolidated income statement.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 23. Profit from operations

This is determined after charging the following:

| | Group | |
|---|---|---|
| | 2009 | 2008 |
| | $ | $ |
| Non-audit fees paid to auditors of the Company | 41,465 | 39,594 |
| Depreciation of property, plant and equipment | 5,856,359 | 4,518,414 |
| Loss on disposal of property, plant and equipment | 23,056 | 59,030 |
| Property, plant and equipment written off | 53,022 | 156,361 |
| Amortisation of intangible assets | 61,294 | 11,675 |
| Inventories recognised as an expense in cost of sales (Note 9) | 31,721,984 | 40,296,480 |
| Personnel expenses | | |
| - Wages, salaries and bonuses | 16,768,421 | 17,686,103 |
| - Central Provident Fund contributions | 831,580 | 783,996 |
| - Other personnel expenses | 1,700,380 | 2,551,455 |
| - Share based payments | 1,066,200 | – |

The personnel expenses include the amounts shown as Directors' and Executive Officers' remuneration in Note 29.

## 24. Directors' remuneration

The number of Directors of the Company whose remuneration falls within the following bands:

| | 2009 | 2008 |
|---|---|---|
| $500,000 and above | 2 | 2 |
| $250,000 to below $500,000 | – | – |
| Below $250,000 | 4 | 4 |
| Total | 6 | 6 |

## 25. Financial income

| | 2009 | 2008 |
|---|---|---|
| Interest income - fixed deposits and bank balances | 5,844 | 30,336 |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 26. Financial expenses

| | Group 2009 | Group 2008 |
|---|---|---|
| | $ | $ |
| Interest expense on :- | | |
| Bank overdrafts | 56,042 | 80,081 |
| Finance leases | 191,713 | 166,060 |
| Bank loans | 1,223,316 | 724,879 |
| Bills payable | 57,688 | 216,418 |
| Total interest expenses | 1,528,759 | 1,187,438 |
| Bank charges | 53,866 | 49,425 |
| | 1,582,625 | 1,236,863 |

## 27. Income tax expenses

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2009 and 2008 are:

| | 2009 | 2008 |
|---|---|---|
| **Statement of comprehensive income:** | | |
| Current income tax :- | | |
| Current income taxation | 2,484,995 | 2,406,849 |
| Under/(over) provision in respect of previous year | 118,738 | (98,615) |
| Deferred income tax :- | | |
| Origination and reversal of temporary differences | 51,556 | 191,803 |
| Under provision in prior year | 26,105 | 12,946 |
| Effects of reduction in tax rate | (35,905) | – |
| Income tax expenses recognised in income statement | 2,645,489 | 2,512,983 |

The Group has unutilised tax losses and unabsorbed capital allowances of approximately $1,578,000 (2008: $1,252,000) and $38,000 (2008: $63,000) respectively, available for offset against future taxable profits, subject to the agreement of the tax authorities and compliance with certain provisions of the Singapore Income Tax Act.

The potential deferred tax asset as at 31 December 2009 arising from these unutilised tax losses has not been recognised in the financial statements in accordance with accounting policy stated in Note 2.23 to the financial statements.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 27. Income tax expenses (cont'd)

Relationship between tax expense and accounting profit

The reconciliation between tax expenses and the product of accounting profit multiplied by the applicable corporate rate for the years ended 31 December 2009 and 2008 are as follows:

| | Group | |
|---|---|---|
| | 2009 | 2008 |
| | $ | $ |
| Profit before taxation | 11,478,502 | 10,866,548 |
| Tax at the applicable tax rate of 17% (2008:18%) | 1,951,345 | 1,955,979 |
| **Adjustments:** | | |
| Tax effect of expenses that are not deductible in determining taxable profit | 396,171 | 700,038 |
| Income not subject to tax | (77,588) | – |
| Effects of reduction in tax rate | (35,905) | – |
| Tax exemption and rebates | (270,358) | (285,717) |
| Tax effect of different tax rate in foreign jurisdictions | 468,136 | 324,312 |
| Utilisation of previously unrecognised tax losses | (1,201) | (10,248) |
| Deferred tax assets not recognised | 87,599 | 92,424 |
| Under/(over) provision of current tax in respect of previous years | 118,738 | (98,615) |
| Under provision of deferred tax in respect of prior years | 26,105 | 12,946 |
| Share of results of associates | 40,615 | 76,590 |
| Others | (58,168) | (254,726) |
| Income tax expense recognised in income statement | 2,645,489 | 2,512,983 |

Deferred income tax at 31 December relates to the following:

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| **Deferred tax liabilities:-** | | | | |
| Excess of net book value over tax written down value of property, plant and equipment | 964,439 | 967,295 | 89,407 | 97,600 |
| **Deferred tax assets:-** | | | | |
| Provisions | (25,202) | (113,812) | (16,542) | (14,500) |
| Unutilised tax losses | (72,865) | – | (72,865) | – |
| Other items | – | (28,100) | – | – |
| | 866,372 | 825,383 | – | 83,100 |

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 17% for the year of assessment 2010 onwards from 18% for year of assessment 2009. The corporate income tax rate applicable to a Malaysian company of the Group was reduced from 26% to 25% for the year of assessment 2009 onwards. The corporate income tax rate applicable to Indonesian companies of the Group was reduced from 30% to 28% effective from 1 January 2009 and reduced again to 25% effective from 1 January 2010.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 28. Earnings per share

The calculations of earnings per share are based on the profit attributable to ordinary equity holders of the Company and the number of shares shown below:

| | Group | |
|---|---|---|
| | **2009** | **2008** |
| | **$** | **$** |
| Profit attributable to ordinary equity holders of the Company | 8,565,098 | 8,239,057 |
| | **Number of shares** | |
| | **2009** | **2008** |
| Weighted average number of ordinary shares for basic earnings per share | 399,633,976 | 384,710,625 |

Earnings per ordinary share amounts are calculated by dividing profit for the year that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit for the year that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

In respect of the financial year ended 31 December 2009, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive option shares as disclosed in Note 19 to the financial statements:-

| | **2009** |
|---|---|
| Weighted average number of ordinary shares for basic earnings per share computation | 399,633,976 |
| Potential ordinary shares issuable under :- | |
| Option shares | 1,570,000 |
| Weighted average number of issued and potential ordinary shares assuming full conversion | 401,203,976 |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 29. Related party disclosures

In addition to the related party information disclosed elsewhere in the financial statements, significant transactions with related parties on terms agreed between the parties were as follows:

| | Group 2009 | Group 2008 |
|---|---|---|
| | $ | $ |
| Income :- | | |
| Sales to related parties | 2,160,953 | 4,015,453 |
| Services rendered to related parties | 42,809,194 | 48,825,678 |
| Sales of equipment | – | 700,000 |
| Expenses :- | | |
| Purchases from related parties | 1,245,493 | 140,315 |
| Services from related parties | – | 226,560 |
| Rental of premises from related parties | 203,241 | 630,000 |
| Transport services from related parties | 76,361 | 110,473 |
| Purchase of a property from a related party | 7,200,000 | – |

**Short-term employee benefits comprise amounts paid to:-**

| | Group 2009 | Group 2008 |
|---|---|---|
| | $ | $ |
| **Directors' and Executive Officers' remuneration** | | |
| Directors' fees | 96,000 | 108,000 |
| Wages, salaries and bonuses | 3,920,716 | 3,857,476 |
| Central Provident Fund contributions | 124,318 | 189,404 |
| Share-based payments | 588,060 | – |
| | 4,729,094 | 4,154,880 |
| Directors of the Company | 2,408,252 | 2,018,165 |
| Executive Officers of the Group | 2,320,842 | 2,136,715 |
| | 4,729,094 | 4,154,880 |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 30. Operating lease commitments

The Group has various operating lease agreements for office premises and workers' accommodation.

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| Future minimum lease payments | | | | |
| - Within 1 year | 147,003 | 720,183 | 480,000 | 420,000 |
| - Within 2 to 5 years | 588,011 | 515,762 | 1,440,000 | 420,000 |
| - More than 5 years | 98,002 | – | – | – |
| | 833,016 | 1,235,945 | 1,920,000 | 840,000 |

Rental expense was $303,860 and $971,494 for the years ended 31 December 2009 and 2008 respectively.

The lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing, escalation clauses and do not provide for contingent rents for the financial years ended 31 December 2009 and 2008 respectively.

## 31. Capital expenditure commitments

Capital expenditure contracted for as at the balance sheet date but not recognised for in the financial statements are as follows:

| | Group | |
|---|---|---|
| | 2009 | 2008 |
| | $ | $ |
| Purchase of property, plant and equipment approved but not provided for in the financial statements as at 31 December | 322,625 | 460,000 |

## 32 Corporate guarantee

The Company has provided a corporate guarantee to a bank for $4,550,000 (2008: Nil) loan (Note 17) taken by a subsidiary.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 33. Segment information

***Business segments***

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

**Corrosion Prevention:** This relates to the provision of corrosion prevention services, mainly blasting and painting services as part of the shipbuilding, ship conversion and ship repair activities in the marine, oil and gas and other industries. It also includes corrosion prevention services for steel work structures and piping modules of oil rigs and jack-up rigs.

**Infrastructure Engineering:** This relates to the provision of turnkey engineering services from planning project management to implementation involving fabrication, corrosion prevention, testing, installation and pre-commissioning steel work modules and structures.

**Supply and Distribution:** This relates to the supply and distribution of hardware equipment, tools and other products used in the marine, oil and gas, and construction industries.

**Environment and Resource:** This relates to the provision of effective and efficient technological solutions for water & waste water treatment; solid waste management; and other areas on recovery of natural resources.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 33. Segment information (cont'd)

| | Corrosion prevention | Infrastructure engineering | Supply and distribution | Environment and resource | Adjustments and eliminations | Notes | Per consolidated financial statements |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | | $ |
| **Year ended 31 December 2009** | | | | | | | |
| Sales to external customers | 58,278,259 | 57,034,471 | 23,092,660 | 52,582 | – | | 138,457,972 |
| Inter-segment sales | 2,568,205 | 2,343,449 | 7,116,753 | – | (12,028,407) | | – |
| Total sales | 60,846,464 | 59,377,920 | 30,209,413 | 52,582 | (12,028,407) | | 138,457,972 |
| **Results:** | | | | | | | |
| Financial income | 3,466 | 1,533 | 338 | 507 | – | | 5,844 |
| Financial expenses | (966,059) | (193,653) | (422,503) | (410) | – | | (1,582,625) |
| Depreciation and amortisation | (3,868,096) | (1,667,027) | (236,936) | (145,594) | – | | (5,917,653) |
| Share of results of associates | (16,760) | – | – | (222,153) | – | | (238,913) |
| Write-back of allowance for doubtful debt | 808,385 | 39,363 | 163,015 | – | – | | 1,010,763 |
| Other non-cash expense | (1,047,521) | (264,343) | (1,931,852) | – | – | | (3,243,716) |
| Segment profit/(loss) | 6,118,142 | 4,730,947 | 1,986,247 | (253,948) | (1,102,886) | A | 11,478,502 |
| **Assets** | | | | | | | |
| Associates | 183,240 | – | – | 3,968,915 | – | | 4,152,155 |
| Addition to non-current assets | 1,434,318 | 12,355,325 | 7,425,963 | – | – | | 21,215,606 |
| Segment assets | 109,948,938 | 61,453,813 | 51,025,793 | 5,563,445 | (89,977,814) | B | 138,014,175 |
| **Segment liabilities** | 59,720,765 | 50,150,037 | 44,872,352 | 142,638 | (77,339,476) | C | 77,546,316 |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 33. Segment information (cont'd)

| | Corrosion prevention | Infrastructure engineering | Supply and distribution | Environment and resource | Adjustments and eliminations | Notes | Per consolidated financial statements |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | | $ |
| **Year ended 31 December 2008** | | | | | | | |
| Sales to external customers | 64,246,612 | 39,835,732 | 27,305,023 | 69,290 | – | | 131,456,657 |
| Inter-segment sales | 3,053,897 | 4,000,144 | 11,173,339 | – | (18,227,380) | | – |
| Total sales | 67,300,509 | 43,835,876 | 38,478,362 | 69,290 | (18,227,380) | | 131,456,657 |
| **Results** | | | | | | | |
| Financial income | 8,302 | 16,523 | 563 | 4,948 | – | | 30,336 |
| Financial expenses | (550,202) | (308,921) | (376,190) | (1,550) | – | | (1,236,863) |
| Depreciation and amortisation | (3,442,055) | (845,157) | (195,240) | (35,962) | – | | (4,518,414) |
| Share of results of associates | – | – | – | (425,505) | – | | (425,505) |
| Write-back of allowance for doubtful debt | 10,142 | 27,303 | 5,635 | – | – | | 43,080 |
| Other non-cash expenses | (353,759) | (5,033) | (949,474) | – | – | | (1,308,266) |
| Segment profit/(loss) | 6,398,917 | 3,601,722 | 2,624,233 | (514,907) | (1,243,417) | A | 10,866,548 |
| **Assets** | | | | | | | |
| Associates | – | – | – | 4,191,068 | – | | 4,191,068 |
| Addition to non-current assets | 8,582,987 | 8,723,470 | 98,215 | 44,371 | – | | 17,449,043 |
| Segment assets | 114,335,484 | 41,459,620 | 47,372,079 | 6,166,607 | (81,509,792) | B | 127,823,998 |
| **Segment liabilities** | 78,267,732 | 34,691,455 | 42,924,386 | 243,212 | (69,361,920) | C | 86,764,865 |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 33. Segment information (cont'd)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A. The following items are deducted from segment profit to arrive at profit after tax.

| | 2009 | 2008 |
|---|---|---|
| | $ | $ |
| Share of results of associates | (238,913) | (425,505) |
| Unallocated expenses | (863,973) | (817,912) |
| | (1,102,886) | (1,243,417) |

B. The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated balance sheet.

| | 2009 | 2008 |
|---|---|---|
| | $ | $ |
| Goodwill | 2,268,787 | 2,268,787 |
| Inter-segment assets | | |
| - Amount due from other segments | (81,978,922) | (74,021,013) |
| - Investment in subsidiaries | (10,267,679) | (9,757,566) |
| | (89,977,814) | (81,509,792) |

C. The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

| | 2009 | 2008 |
|---|---|---|
| | $ | $ |
| Deferred tax liabilities | 866,372 | 825,383 |
| Provision for income tax | 3,016,505 | 3,077,133 |
| Inter-segment liabilities | (81,222,353) | (73,264,436) |
| | (77,339,476) | (69,361,920) |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 33. Segment information (cont'd)

Geographical information

Revenues and non-current assets based on the geographical location of customers and assets respectively are as follows:

| | Revenues | | Non-current assets | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| Singapore | 99,564,827 | 92,524,667 | 23,237,145 | 17,979,048 |
| Indonesia | 33,079,022 | 31,965,800 | 25,163,416 | 14,655,069 |
| Others | 5,814,123 | 6,966,190 | 53,801 | 842,803 |
| | 138,457,972 | 131,456,657 | 48,454,362 | 33,476,920 |

Non-current assets presented above consist of property, plant and equipment and intangible assets as presented in the consolidated balance sheet.

Information about major customers

Revenues from a major customer amounted to $41,122,124 (2008: $48,961,863), arising from sales by all the segments.

Revenues from another major customer amounted to $22,207,301 (2008:$1,066,315), arising from sales by the Infrastructure engineering segment.

## 34. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. Though the Group does not have written risk management policies and guidelines, the Audit Committee and the Board of Directors meet periodically to review and analyse the Group's exposure to credit risks, major changes in interest rates and the fluctuation of foreign currency exchange rates. The Group does not hold or issue derivative financial instruments for trading purposes.

The Group adopts a conservative strategy on managing its financial risks, thus, the exposure to market risk is kept at a minimum level. The Board reviews and agrees on policies for managing each of these risks and they are summarised below.

*Interest rate risk*

The Group's exposure to interest rate risks relates primarily to interest earning financial assets and interest bearing financial liabilities. Interest rate risk is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favourable interest rates available in the market.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 34. Financial risk management objectives and policies (cont'd)

*Interest rate risk (cont'd)*

The following tables set out the carrying amounts as at 31 December, by maturity or repricing, whichever is earlier, of the financial instruments of the Group and the Company that are exposed to the interest rate risk:

| **2009**<br>**Group** | **Within**<br>**1 year** | **Within**<br>**2 to 5 years** | **More than**<br>**5 years** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| ***Fixed rate*** | | | | |
| Lease obligations | 1,642,903 | 803,815 | 13,468 | 2,460,186 |
| Long-term loans | 1,743,163 | 4,437,889 | – | 6,181,052 |
| **Floating rate** | | | | |
| Fixed deposits | 982,048 | – | – | 982,048 |
| Short-term bank loans | 22,813,863 | – | – | 22,813,863 |
| Long-term loan | 934,696 | 3,182,000 | – | 4,116,696 |
| Bills payable to banks | 955,914 | – | – | 955,914 |
| **Company** | | | | |
| ***Fixed rate*** | | | | |
| Lease obligations | 49,996 | 81,259 | – | 131,255 |
| Long-term loan | 1,257,791 | 3,125,000 | – | 4,382,791 |
| ***Floating rate*** | | | | |
| Short-term bank loans | 20,000,463 | – | – | 20,000,463 |

| **2008**<br>**Group** | **Within**<br>**1 year** | **Within**<br>**2 to 5 years** | **More than**<br>**5 years** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| ***Fixed rate*** | | | | |
| Lease obligations | 2,308,590 | 2,432,900 | 19,900 | 4,761,390 |
| ***Floating rate*** | | | | |
| Fixed deposits | 862,913 | – | – | 862,913 |
| Bank overdrafts | 866,337 | – | – | 866,337 |
| Short-term bank loans | 31,462,063 | – | – | 31,462,063 |
| Bills payable to banks | 6,169,332 | – | – | 6,169,332 |
| **Company** | | | | |
| ***Fixed rate*** | | | | |
| Lease obligations | 50,925 | 131,256 | – | 182,181 |
| ***Floating rate*** | | | | |
| Short-term bank loans | 30,004,878 | – | – | 30,004,878 |
| Bills payable to banks | 780,941 | – | – | 780,941 |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 34. Financial risk management objectives and policies (cont'd)

***Interest rate risk (cont'd)***

***Cash flow sensitivity analysis for variable rate instruments***

For the variable rate financial assets and liabilities, a change of 100 basis points (bp) in the interest rate at the reporting date would increase (decrease) profit or loss by the amounts shown below. This analysis assumes that all variables, in particular, foreign currency rates, remain constant.

| | 2009 | | 2008 | |
|---|---|---|---|---|
| **Group** | **100 bp Increase** | **100 bp Decrease** | **100 bp Increase** | **100 bp Decrease** |
| | **$** | **$** | **$** | **$** |
| ***Floating rate instruments*** | | | | |
| Singapore dollar | (248,698) | 248,698 | (312,354) | 312,354 |
| United States dollar | (28,134) | 28,134 | – | – |
| Malaysian ringgit | 7,788 | (7,788) | 3,748 | (3,748) |
| **Company** | | | | |
| ***Floating rate instruments*** | | | | |
| Singapore dollar | (200,005) | 200,005 | (252,444) | 252,444 |

***Liquidity risk***

The Group's exposure to liquidity arises in the general funding of the Group's business activities. It includes the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group also managed sufficient funding through short-term bank loans and overdraft facilities.

The table below summaries the maturity profile of the Group's and the Company's financial liabilities as at the balance sheet date based on the contractual undiscounted cashflows:-

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 34. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

| | 2009 | | | | 2008 | | | |
|---|---|---|---|---|---|---|---|---|
| | Within 1 year | Within 2 to 5 years | More than 5 years | Total | Within 1 year | Within 2 to 5 years | More than 5 years | Total |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **Group** | | | | | | | | |
| Trade and other creditors | 34,992,800 | – | – | 34,992,800 | 39,064,719 | – | – | 39,064,719 |
| Due to related parties (trade) | 1,853,463 | – | – | 1,853,463 | 281,325 | – | – | 281,325 |
| Due to related parties (non-trade) | 289,465 | – | – | 289,465 | 257,183 | – | – | 257,183 |
| Loans and borrowings | 28,225,928 | 8,496,638 | 15,613 | 36,738,179 | 40,998,345 | 2,639,617 | 23,064 | 43,661,026 |
| | 65,361,656 | 8,496,638 | 15,613 | 73,873,907 | 80,601,572 | 2,639,617 | 23,064 | 83,264,253 |
| **Company** | | | | | | | | |
| Trade and other creditors | 3,207,204 | – | – | 3,207,204 | 4,858,785 | – | – | 4,858,785 |
| Due to subsidiaries (trade) | 3,667,391 | – | – | 3,667,391 | 6,053,958 | – | – | 6,053,958 |
| Due to subsidiaries (non-trade) | 385,959 | – | – | 385,959 | 44,346 | – | – | 44,346 |
| Due to related parties (trade) | 305,842 | | – | 305,842 | 115,350 | – | – | 115,350 |
| Loans and borrowings | 21,313,010 | 3,213,995 | – | 24,527,005 | 30,841,707 | 143,751 | – | 30,985,458 |
| | 28,879,406 | 3,213,995 | – | 32,093,401 | 41,914,146 | 143,751 | – | 42,057,897 |

### *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group has a credit policy in place and the exposure to credit risk is monitored on an on-going basis through the application of credit approvals, credit limits and debt monitoring procedures. Where appropriate, the Company or its subsidiaries obtain guarantees from the customer or arrange netting agreements. For customers of lower credit standing, the Group would usually enforce to transact in cash terms, advance payments, and letters of credit.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other debtors. This allowance includes general and specific loss components.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 34. Financial risk management objectives and policies (cont'd)

***Credit risk (cont'd)***

The allowance account in respect of trade and other debtors is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Financial assets that are neither past due nor impaired

Trade and other debtors that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 11 (Trade and other debtors).

The extent of the Group's and the Company's credit exposure is represented by aggregate carrying amount of cash and cash equivalents, trade debtors (including due from related parties and subsidiaries) and other debtors.

*Credit risk concentration profile*

The Group determines concentrations of credit risk by monitoring the country and business sector profile of its trade debtors on an on-going basis. The credit risk concentration profile of the Group's trade debtors at the balance sheet date is as follows:

| | Group | | | |
|---|---|---|---|---|
| | 2009 | | 2008 | |
| | $ | % of total | $ | % of total |
| *By country* | | | | |
| Singapore | 16,391,967 | 73% | 16,110,980 | 71% |
| Indonesia | 4,207,852 | 19% | 3,354,233 | 15% |
| Malaysia | 1,713,419 | 8% | 3,147,884 | 14% |
| | 22,313,238 | 100% | 22,613,097 | 100% |

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 34. Financial risk management objectives and policies (cont'd)

***Foreign exchange risk***

Certain subsidiaries of the Group generate revenue and incur certain operating costs in foreign currencies which give rise to foreign exchange risk. The Group's exposure to foreign exchange risk is not considered as significant by management and the risk is primarily managed by natural hedges of matching assets and liabilities denominated in foreign currencies. The Group will closely monitor the foreign exchange risk and will consider hedging significant foreign currency exposure should the need arises in future.

*Sensitivity analysis for foreign currency risk*

A 10% strengthening of the Singapore dollar against the following currencies at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant.

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| United States dollar | 78,956 | (380,513) | (363,160) | (242,978) |
| Malaysian ringgit | (107,777) | (131,459) | – | – |
| Indonesian rupiah | 5 | (4) | – | – |

A 10% weakening of Singapore dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

## 35. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Board of Directors manages the level of dividends to shareholders, return capital to shareholders or issue new shares. The Group funds its operations and growth through a mix of equity and debts. This includes the maintenance of adequate lines of credit and assessing the need to raise additional equity where required.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 35. Capital management (cont'd)

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other creditors less cash and cash equivalents. Total capital is calculated as equity plus net debt.

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| Net debt | 54,394,895 | 67,716,182 | 26,215,864 | 39,926,989 |
| Total equity | 60,467,859 | 41,059,133 | 31,075,000 | 19,058,018 |
| Total capital | 114,862,754 | 108,775,315 | 57,290,864 | 58,985,007 |
| Gearing ratio | 47% | 62% | 46% | 68% |

The Group and Company are in compliance with all borrowing covenants for the financial years ended 31 December 2009 and 2008. There were no changes in the Group's approach to capital management during the financial year.

## 36. Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

**Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

*Trade and other debtors, amounts due from/(to) subsidiaries, amounts due from/(to) related parties, amounts due from associates, trade creditors, other creditors and accruals, short term bank loans and non-current loans and borrowings at floating rate*

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

There were no significant differences between the fair values and the carrying amounts of the borrowings of the Group other than fixed rate term loans and lease obligations as at 31 December 2009.

# Notes to the Financial Statements

for the financial year ended 31 December 2009

## 36. Fair value of financial instruments (cont'd)

**Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (cont'd)**

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value is as follows:

| | Note | Group | | | |
|---|---|---|---|---|---|
| | | 2009 | | 2008 | |
| | | $ Carrying amount | $ Fair value | $ Carrying amount | $ Fair value |
| **Financial liabilities:** | | | | | |
| - Fixed rate term loans | 17 | 6,181,052 | 6,042,714 | – | – |
| - Lease obligations | 18 | 2,460,086 | 2,594,964 | 4,761,390 | 4,993,893 |

| | Note | Company | | | |
|---|---|---|---|---|---|
| | | 2009 | | 2008 | |
| | | $ Carrying amount | $ Fair value | $ Carrying amount | $ Fair Value |
| **Financial liabilities:** | | | | | |
| - Fixed rate term loan | 17 | 4,382,791 | 4,262,999 | – | – |
| - Lease obligations | 18 | 131,255 | 137,595 | 182,181 | 188,166 |

Determination of fair value

*Fixed rate term loan and lease obligations*

The fair values as disclosed in the table above are estimated by discounting the expected cash flows at current interest rate for similar instruments as at balance sheet date.

## 37. Subsequent events

On 21 January 2010, 9,000,000 option shares were issued pursuant to certain subscribers exercising their call options. Following the issue of the option shares, the total number of issued and paid-up ordinary shares of the Company increased to 450,041,625 ordinary shares.

## 38. Authorisation of financial statements

The financial statements for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Directors on 19 March 2010.

# Shareholding Statistics

as at 15 March 2010

| | |
|---|---|
| Issued and fully paid | : $31,227,342.00 |
| Number of shares | : 450,041,625 |
| Number of Treasury Shares held | : Nil |
| Class of shares | : Ordinary shares |
| Voting rights | : 1 vote per ordinary share |

## SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 15 March 2010, 40.23% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

## ANALYSIS OF SHAREHOLDINGS

| Range of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 999 | 0 | 0.00 | 0 | 0.00 |
| 1,000 - 10,000 | 600 | 24.72 | 4,540,000 | 1.01 |
| 10,001 - 1,000,000 | 1,808 | 74.50 | 121,381,000 | 26.97 |
| 1,000,001 and above | 19 | 0.78 | 324,120,625 | 72.02 |
| | 2,427 | 100.00 | 450,041,625 | 100.00 |

## TOP 20 SHAREHOLDERS

| No. | Name of Shareholder | No. of Shares | % |
|---|---|---|---|
| 1 | Labroy Marine Pte Ltd | 145,712,625 | 32.38 |
| 2 | Chua Beng Kuang | 36,267,500 | 8.06 |
| 3 | Chua Meng Hua | 35,319,500 | 7.85 |
| 4 | Chua Beng Hock | 25,319,500 | 5.63 |
| 5 | Chua Beng Yong | 25,319,500 | 5.63 |
| 6 | OCBC Securities Private Ltd | 17,645,000 | 3.92 |
| 7 | Kim Eng Securities Pte. Ltd. | 8,638,000 | 1.92 |
| 8 | Phillip Securities Pte Ltd | 4,472,000 | 0.99 |
| 9 | CIMB-GK Securities Pte Ltd | 3,954,000 | 0.88 |
| 10 | United Overseas Bank Nominees Pte Ltd | 3,533,000 | 0.79 |
| 11 | Subramaniam s/o Sinnapan | 3,021,000 | 0.67 |
| 12 | Hong Leong Finance Nominees Pte Ltd | 2,805,000 | 0.62 |
| 13 | DBS Nominees Pte Ltd | 2,684,000 | 0.60 |
| 14 | UOB Kay Hian Pte Ltd | 2,404,000 | 0.53 |
| 15 | OCBC Nominees Singapore Pte Ltd | 1,658,000 | 0.37 |
| 16 | See Mui Khim | 1,543,000 | 0.34 |
| 17 | Subramaniam s/o Muneyandi | 1,515,000 | 0.34 |
| 18 | DBS Vickers Securities (S) Pte Ltd | 1,300,000 | 0.29 |
| 19 | Nge Yock Hua | 1,010,000 | 0.22 |
| 20 | Chen Kim Hua | 1,000,000 | 0.22 |
| | | 325,120,625 | 72.25 |

# Shareholding Statistics

as at 15 March 2010

## SUBSTANTIAL SHAREHOLDERS

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| | No. of Shares | % | No. of Shares | % |
| Labroy Marine Pte. Ltd. | 145,712,625 | 32.38 | - | - |
| Chua Beng Kuang | 36,267,500 | 8.06 | - | - |
| Chua Meng Hua | 35,319,000 | 7.85 | - | - |
| Chua Beng Yong | 25,319,500 | 5.63 | - | - |
| Chua Beng Hock | 25,319,500 | 5.63 | - | - |
| Dubai World Holdings Limited(1) | - | - | 145,712,625 | 32.38 |
| Drydocks World LLC(1) | - | - | 145,712,625 | 32.38 |
| Dry Docks and Maritime World LLC(1) | - | - | 145,712,625 | 32.38 |
| Drydock World - Southeast Asia Pte. Limited(1) | - | - | 145,712,625 | 32.38 |

**Note:**

1 Dubai World Holdings Limited, Drydocks World LLC, Dry Docks & Maritime World LLC and Drydock World – Southeast Asia Pte Limited are deemed to have an interest in 145,712,625 shares held by Labroy Marine Pte. Ltd.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Beng Kuang Marine Limited (the "Company") will be held at 55 Shipyard Road, Singapore 628141 on Friday, 23 April 2010 at 11.00 a.m., for the purpose of transacting the following businesses:-

**AS ORDINARY BUSINESS**

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial period ended 31 December 2009 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a one-tier tax exempt first and final dividend of 0.50 cents per ordinary share for the financial year ended 31 December 2009. **(Resolution 2)**

3. To re-elect Mr Chua Meng Hua as a Director retiring pursuant to Article 107 of the Company's Articles of Association. **(Resolution 3)**

4. To re-elect Mr Sameer Y. Khan as a Director pursuant to Article 107 of the Company's Articles of Association.
[See Explanatory Note 1] **(Resolution 4)**

5. To approve the payment of Directors' fees of S$96,000 (2008: S$108,000) for the financial year ended 31 December 2009. **(Resolution 5)**

6. To appoint Messrs Nexia TS Public Accounting Corporation in place of the retiring auditors, Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.
[See Explanatory Note 2] **(Resolution 6)**

**AS SPECIAL BUSINESS**

7. To consider and, if thought fit, to pass the following resolution as Ordinary Resolution, with or without amendments:

   **Authority to allot and issue shares up to 50 per centum (50%) of issued share capital (Resolution 7)**

   "That pursuant to Section 161 of the Companies Act, Cap. 50, and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to allot and issue shares or convertible securities from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities issued pursuant to such authority shall not exceed 50 per centum (50%) of the issued share capital of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to the existing shareholders of the Company shall not exceed 20 per centum (20%) of the issued share capital of the Company (the percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion or exercise of convertible securities or exercise of share options or vesting of awards outstanding or subsisting at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or on the date by which the next AGM is required by law to be held, whichever is the earlier."
   [See Explanatory Note 3]

# Notice of Annual General Meeting

8. To consider and, if thought fit, to pass the following resolution as Ordinary Resolution, with or without amendments:

**Renewal of Shareholders' Mandate for Interested Person Transactions (Resolution 8)**

"That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual), or any of them, to enter into any of the transactions falling within the types of interested person transactions set out in the addendum to this Annual Report dated 5 April 2010 (the "Addendum") with any party who is of the class of interested persons described in Addendum provided that such transactions are on normal commercial terms, not prejudicial to the interests of the Company and its minority Shareholders and in accordance with the review procedures for such interested person transactions (the "Shareholders' Mandate");

(b) the Shareholders' Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company, and

(c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution." [See Explanatory Note 4]

9. To consider and, if thought fit, to pass the following resolution as Ordinary Resolution, with or without modification:

**Authority to issue shares at a discount (Resolution 9)**

"That subject to and pursuant to the share issue mandate in resolution 8 above being obtained, authority be and is hereby given to the Directors to issue new shares other than on a pro-rata basis to shareholders of the Company at an issue price per new share which shall be determined by the Directors in their absolute discretion provided that such price shall not represent more than 20% discount for new shares to the weighted average price per share determined in accordance with the requirements of the SGX-ST." [See Explanatory Note 5]

10. To transact any other business that may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Wee Woon Hong
Lee Hock Heng
Company Secretaries

Singapore
5 April 2010

# Notice of Annual General Meeting

**Notes:**

(i) A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote instead of him.

(ii) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

(iii) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

(iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 55 Shipyard Road, Singapore 628141, not less than 48 hours before the time appointed for holding the above Meeting.

**Explanatory Notes:**

1. Mr Sameer Y. Khan will, upon re-election as a Director of the Company, remain as the member of Audit Committee, Nominating Committee and Remuneration Committee of the Company.

2. The proposed Ordinary Resolution 6 is to appoint Nexia TS Public Accounting Corporation as Auditors of the Company in place of Ernst & Young LLP. If you are in any doubt as to the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately. If you have sold or transferred all your shares in the capital of the Company, you should immediately forward this Notice of AGM and the enclosed Proxy Form to the purchaser or the transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or the transferee. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Notice of AGM.

   The Company's existing Auditors, Ernst & Young LLP, have been Auditors of the Company since financial year ended 31 December 2002. As part of the Company's efforts to be cost efficient, our Directors have obtained quotations for the audit of the Group from other audit firms for the financial year ending 31 December 2010. Having found the fee structure of Nexia TS Public Accounting Corporation to be more competitive and having considered various other factors including, *inter alia*, the adequacy of resources, experience and audit engagements in view of the Group's operations, the number of supervisory and professional staff who will be assigned to the audit of the Group and their audit arrangements for the Group, the Directors (in consultation with the Audit Committee) are of the opinion that Nexia TS Public Accounting Corporation will be able to meet the audit requirements of the Group. Further, the Company believes that a periodic rotation of external auditors will serve to further enhance the independence and effectiveness of the external auditors and, in the process, further strengthen the corporate governance of the Group. Accordingly, the Directors confirm that Rule 712 of the Listing Manual of the SGX-ST has been complied with.

   In this regard, Ernst & Young LLP has on 4 March 2010, given notice to the Directors of their resignation as Auditors of the Company. The Company has also received notice from a shareholder, Chua Beng Kuang (refer to Appendix 1) nominating Nexia TS Public Accounting Corporation as the Company's Auditors in place of Ernst & Young LLP. Nexia TS Public Accounting Corporation have expressed their willingness to accept the appointment. The proposal for the appointment will be put to the members at this meeting.

# Notice of Annual General Meeting

The Audit Committee has reviewed the credentials and proposal of Nexia TS Public Accounting Corporation and recommended to the Board that Nexia TS Public Accounting Corporation be nominated for appointment as Auditors of the Company for the financial year ending 31 December 2010, subject to the approval of shareholders at the AGM to be held on 23 April 2010. The Directors of the Company recommend that Shareholders vote in favour of Ordinary Resolution 6 at the forthcoming AGM. The Directors wish to express their appreciation for the services rendered by Ernst & Young LLP in the past.

Ernst & Young LLP have confirmed to Nexia TS Public Accounting Corporation that they are not aware of any professional reasons why Nexia TS Public Accounting Corporation should not accept the appointment as auditors of the Company.

The Directors further confirmed that there were no disagreements with Ernst & Young LLP on accounting treatments in the last 12 months and there are no circumstances connected with the change of auditors that should be brought to the attention of the Company's shareholders.

The Directors accept responsibility for the accuracy of the information herein.

3. The proposed Ordinary Resolution 7, if passed, will authorise the Directors of the Company to issue shares up to 50% of the Company's issued share capital, with an aggregate sub-limit of 20% of the Company's share capital for any issue of shares not made on a pro-rata basis to shareholders of the Company.

4. The proposed Ordinary Resolution 8, if passed, will authorise the interested person transactions as described in the Addendum and recurring in the year and will empower the Directors of the Company, from the date of the Annual General Meeting until the date the next Annual General Meeting is to be held or is required by law to be held, whichever is the earlier, to do all acts necessary to give effect to the Shareholders' Mandate. The rationale for and categories of interested person transactions pursuant to the Shareholders' Mandate are set out in greater detail in the Addendum accompanying this Notice.

5. The proposed Ordinary Resolution 9, if passed, will authorise the Directors to issue new shares (other than on a pro-rata basis to shareholders of the Company) at an issue price of up to 20% discount to the weighted average price per share. The Ordinary Resolution 9 above is pursuant to measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 which became effective on 20 February 2009 and will expire on 31 December 2010 unless extended.

# Appendix 1
# Notice of Nomination

Date: 16 March 2010

The Board of Directors
Beng Kuang Marine Limited
55 Shipyard Road
Singapore 628141

Dear Sir

**NOMINATION OF AUDITORS FOR APPOINTMENT**

In accordance with Section 205(11) of the Companies Act, Cap. 50, I, Chua Beng Kuang, being a member of Beng Kuang Marine Limited, hereby nominate Nexia TS Public Accounting Corporation for appointment as auditors of the Company at the forthcoming Annual General Meeting in place of the retiring auditors, Ernst & Young LLP.

I intend to propose the following ordinary resolution at the forthcoming Annual General Meeting:-

"That Nexia TS Public Accounting Corporation be and are hereby appointed as auditors of the Company in place of retiring auditors, Ernst & Young LLP, to hold office until the conclusion of the next Annual General Meeting and the Directors be authorised to fix their remuneration".

Yours faithfully

Chua Beng Kuang

**ADDENDUM DATED 5 APRIL 2010**

This Addendum is circulated to Shareholders of Beng Kuang Marine Limited (the "Company") together with the Company's Annual Report. Its purpose is to explain to Shareholders the rationale and provide information to the Shareholders for proposed renewal of the Shareholders' Mandate for Interested Person Transactions to be tabled at the Annual General Meeting to be held on 23 April 2010 at 11.00 a.m. at 55 Shipyard Road, Singapore 628141. The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report.

If you are in any doubt as to the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately. If you have sold or transferred all your shares in the capital of the Company, you should immediately forward this Notice of AGM and the enclosed Proxy Form to the purchaser or the transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited takes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Addendum.

**BENG KUANG MARINE LIMITED**

(Incorporated in the Republic of Singapore)

(Company Registration Number: 199400196M)

**ADDENDUM**

**in relation to**

**THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS**

## DEFINITIONS

In this Addendum, the following definitions apply throughout unless otherwise stated:-

| | | |
|---|---|---|
| "Act" | : | The Companies Act (Chapter 50) of Singapore |
| "AGM" | : | The annual general meeting of the Company |
| "Board" or "Directors" | : | The directors of the Company as at the date of this Addendum |
| "CDP" | : | The Central Depository (Pte) Limited of Singapore |
| "Company" | : | Beng Kuang Marine Limited |
| "Controlling Shareholder" | : | A person who has an interest in the Shares of an aggregate of not less than 15% of the total votes attached to all the Shares, or in fact exercises control over the Company |
| "DDW LLC" | : | Drydocks World LLC |
| "DWS" | : | Drydocks World – Singapore Pte. Ltd. |
| "Executive Director" | : | The executive Directors of the Company as at the date of this Addendum, unless otherwise stated |
| "Executive Officers" | : | The executive officers of the Group as at the date of this Addendum, unless otherwise stated |
| "Group" | : | The Company and its subsidiaries |
| "Hwah Hong" | : | Hwah Hong Transportation Pte. Ltd. |
| "Interested Person" | : | A director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder |
| "Interested Person Transaction" | : | Transactions proposed to be entered into between the Group and any interested person |
| "LMPL" | : | Labroy Marine Pte. Ltd. |
| "Latest Practicable Date" | : | 26 March 2010, being the latest practicable date prior to the printing of this Addendum |
| "Listing Manual" | : | The listing manual of the SGX-ST |
| "NTA" | : | Net tangible assets |
| "Securities Account" | : | Securities account maintained by a Depositor with CDP |
| "SGX-ST" | : | Singapore Exchange Securities Trading Limited |
| "Shares" | : | Ordinary shares in the capital of the Company |

| | | |
|---|---|---|
| "Shareholders" | : | Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares |
| "Substantial Shareholder" | : | A person who owns directly or indirectly 5% or more of the total share capital in the Company or in a company, as the case may be |
| "S$" or "$" and "cents" | : | Singapore dollars and cents, respectively |
| "%" or "per cent" | : | Per centum or percentage |

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the same meanings ascribed to them respectively in Section 130A of the Act.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

Any reference in this Addendum to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Listing Manual or any modification thereof and not otherwise defined in this Addendum shall have the same meaning assigned to it under the Act, the Listing Manual or any modification thereof, as the case may be.

Any reference to a time of day in this Addendum is made by reference to Singapore time unless otherwise stated.

**BENG KUANG MARINE LIMITED**
(Incorporated in the Republic of Singapore)
(Company Registration Number: 199400196M)

| ***Directors*** | ***Registered Office*** |
|---|---|
| Mr Chua Beng Kuang (Executive Chairman) | 55 Shipyard Road |
| Mr Chua Meng Hua (Managing Director) | Singapore 628141 |
| Mr Yong Thiam Fook (Executive Director) | |
| Mr Sameer Y. Khan (Non-Executive Director) | |
| Mr Goh Chee Wee (Independent Director) | |
| Dr Wong Chiang Yin (Independent Director) | 5 April 2010 |

To: The Shareholders of Beng Kuang Marine Limited

Dear Sir/Madam

## 1. INTRODUCTION

At the last AGM held on 27 April 2009, Shareholders had approved the renewal of the Group's existing general mandate, which will enable the Group to enter into transactions with the Interested Person in compliance with Chapter 9 of the Listing Manual ("Shareholders' Mandate"). The purpose of this Addendum is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval to renew the Shareholders' Mandate at the forthcoming AGM which is scheduled to be held on 23 April 2010.

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its unlisted subsidiaries or unlisted associated companies proposes to enter with an interested person of the listed company. An "interested person" is defined as a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

Chapter 9 of the Listing Manual allows a listed company to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations which may be carried out with the listed company's interested persons, but not the purchase or sale of assets, undertakings or businesses provided such transactions are entered into at arm's length basis and on normal commercial terms and are not prejudicial to the interests of the listed company and its minority shareholders.

The current Shareholders' Mandate, which was approved and renewed by the Shareholders during the last AGM, will continue to be in force until the forthcoming AGM. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the forthcoming AGM.

General information relating to Chapter 9 of the Listing Manual, including the meanings of terms such as "interested person", "associate", "associated company" and "controlling shareholder", are set out in the annexure of this Addendum.

## 2. SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

### 2.1 Categories of Interested Persons

The renewed Shareholders' Mandate will apply to the transactions (as defined below) with:-

(a) DDW LLC, its existing subsidiaries, including LMPL and its subsidiaries and DWS and its subsidiaries, together with any of their respective future subsidiaries which may be newly set up or to be acquired by them from time to time (collectively, "DDW LLC Group"); and

(b) Hwah Hong.

By virtue of LMPL's equity interest of approximately 32.38% in the Company as at the Latest Practicable Date, the DDW LLC Group is deemed as an Interested Person of the Company for the purposes of Chapter 9 of the Listing Manual.

Mr Chua Beng Hock, who is the Executive Officer of the Group and the brother of Mr Chua Beng Kuang (Managing Director), Mr Chua Meng Hua (Executive Director) and Mr Chua Beng Yong (Executive Officer), has an equity interest of approximately 65% in Hwah Hong as at the Latest Practicable Date. Accordingly, Hwah Hong is deemed as an Interested Person of the Company for the purposes of Chapter 9 of the Listing Manual.

Transactions with the DDW LLC Group, Hwah Hong or any other Interested Person of the Group that do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Mandate.

### 2.2 Categories of Interested Persons Transactions

The interested Person Transactions with the DDW LLC Group and/or Hwah Hong which will be covered by the Shareholders' Mandate ("Mandate Transactions") include the following:

(a) the provision of corrosion prevention services and infrastructure engineering services to the DDW LLC Group;

(b) the engagement of services and sub-contract work from the DDW LLC Group to fulfill the contractual commitments relating to the infrastructure engineering projects including but not limited to pipe fabrication services and steel welding services, and the purchase of items necessary from the DDW LLC Group to carry out such work including, but not limited to, steel materials, angle bars and electrodes;

(c) the supply of hardware equipment and tools (such as electrode holders, welding cables, wire brushes) and other consumables (such as electrodes and gloves) to the DDW LLC Group;

(d) the engagement of sea transportation services from the DDW LLC Group for the projects and products; and

(e) the engagement of lorry and crane services from Hwah Hong.

The Shareholders' Mandate will not cover any Mandate Transaction that is below $100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions. Interested Person Transactions entered or to be entered into by the Group that do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Mandate.

### 2.3 Rationale for and Benefits of the Shareholders' Mandate

The Mandate Transactions are entered into or are to be entered into by the Group in its ordinary course of business. The Mandate Transactions are recurring transactions which are likely to occur with some degree of frequency and may arise at any time and from time to time. The Directors are of the view that it will be beneficial to the Group to transact with the DDW LLC Group and/or Hwah Hong. It is intended that the Mandate Transactions shall continue in the future as long as the DDW LLC Group and/or Hwah Hong (as the case may be) are Interested Persons of the Group and so long as the transactions are at arm's length basis and on normal commercial terms and are not prejudicial to the Company and the minority Shareholders.

The Shareholders' Mandate and the renewal of the Shareholders' Mandate on an annual basis will eliminate the need to announce and/or convene separate general meetings on each occasion in order to seek Shareholders' prior approval for the entry by the Group into Mandate Transactions. This will substantially reduce the expenses associated with the convening of such general meetings from time to time, improve administrative efficiency, and allow resources and time of the Group to be focused towards other corporate and business opportunities.

The Shareholders' Mandate is intended to facilitate the Mandate Transactions, provided that they are carried out at arm's length basis and on normal commercial terms and are not prejudicial to the Company and the minority Shareholders.

### 2.4 Review Procedures for Mandate Transactions

To ensure that Mandate Transactions are undertaken at arm's length basis and on normal commercial terms and are consistent with the Group's usual business practices and policies, which are generally no more favourable to the DDW LLC Group and/or Hwah Hong than those extended to unrelated third parties, we will adopt the specific guidelines and procedures as set out below:-

(i) All Mandate Transactions of which are $100,000 and above in value shall not be entered into unless the terms are determined as follows:

(a) In relation to the sale of products to the DDW LLC Group, the selling price or fee shall not be more favourable to the DDW LLC Group than that offered to the Group's unrelated third party customers in recent transactions after taking into consideration non-price factors such as customers' credit standing, volume of transactions, delivery requirements, length of business relationship and potential for future repeated business;

(b) In relation to the supply of services to the DDW LLC Group, the fee shall not be more favourable to the DDW LLC Group than that offered to the Group's unrelated third party customers in recent transactions after taking into consideration non-price factors as mentioned in (a) above and additional factors such as the type of facilities available and material requirements; and

(c) In relation to the purchase of items and the engagement of services from the DDW LLC Group and/or Hwah Hong, the Group shall obtain two other quotations from non-Interested Persons for comparison. The purchase price or fee shall not be less favourable to the Group than the most competitive price or fee of the other quotations from non-Interested Persons. In determining the most competitive price or fee, non-price factors such as quality, delivery time, credit terms granted and track record will be taken into account.

(ii) In the event that it is not possible for external quotations to be obtained (for instance, if there is no unrelated third party who is able to provide the same products or perform the same function) or there are no relevant successful sales of products or services to unrelated third party customers for the comparison, the Group will adopt the following procedures to determine whether the prices or fees offered by or to the DDW LLC Group and/or Hwah Hong are in accordance with the industry norms, at arm's length basis and on normal commercial terms:-

(a) For purchases of products and/or engagement of services from the DDW LLC Group and/or Hwah Hong, the purchase price must be no less favourable to the Group than that charged by the DDW LLC Group and/or Hwah Hong to their other unrelated customers after taking into consideration other non-price factors such as quality, delivery time, track record, and credit terms granted. We will obtain from the DDW LLC Group, Hwah Hong and elsewhere, the necessary evidence to satisfy ourselves that the basis set out herein have been adhered to in the purchases from them. We will also consider the cost and benefits of such transactions to the Group; and

(b) For sale of products and services to the DDW LLC Group, the price charged by the Group shall be determined in accordance with the Group's usual business practices and consistent with the Group's profit margin to be obtained by the Group for the same or substantially the same products and services after taking into consideration non-price factors such as customers' credit standing, volume of transactions, delivery requirements, length of business relationship, type of working facilities and equipment available, scope of supply of materials and potential for future repeat business.

(iii) In addition, the following review and approval procedures will be implemented by the Group:-

(a) Any Mandate Transaction which equals or exceeds more than $100,000 but less than or equal to 3% of the Group's latest audited NTA in value will be reviewed and approved by either a Director, the Financial Controller or an Executive Officer of the Group (each of whom shall not be an Interested Person in respect of the particular transaction) prior to entering into the transaction; and

(b) Any Mandate Transaction which exceeds 3% of the Group's latest audited NTA in value will be reviewed and approved by the Audit Committee prior to entering into the transaction.

(iv) The Group has also implemented the following procedures for the identification of Interested Persons and the recording of Interested Person Transactions (including the Mandate Transactions):-

(a) The Company will maintain a list of Interested Persons (which is to be updated immediately if there are any changes), and disclose the list to relevant key personnel of each subsidiary to enable identification of Interested Persons. The master list of Interested Persons which is maintained shall be reviewed on at least a quarterly basis; and

(b) The Company will maintain a register of transactions carried out with Interested Persons (recording the basis, including the quotations obtained to support such basis, on which they are entered into).

(v) The Audit Committee will review the Interested Person Transactions on at least a quarterly basis as part of its standard procedures while examining the adequacy of the Group's internal controls including those relating to Interested Person Transactions. The Board will also ensure that all disclosures, approvals and other requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.

(vi) In the event that the Financial Controller, Executive Officer, Director or a member of the Audit Committee (where applicable) is interested in any Interested Person Transaction, he will abstain from reviewing and/or approving that particular transaction. The Board will also ensure that all disclosure requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.

(vii) The Audit Committee shall review from time to time the above guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that Mandate Transactions are conducted at arm's length basis and on normal commercial terms and are not prejudicial to the Company and the minority Shareholders. Further, if during these periodic reviews by the Audit Committee, the Audit Committee is of the view that the guidelines and procedures as stated above are inappropriate or are not sufficient to ensure that the Mandate Transactions will be at arm's length basis and on normal commercial terms and will not be prejudicial to the Company and the minority Shareholders, the Company will (pursuant to the Listing Manual) revert to Shareholders for a fresh mandate based on new guidelines and procedures.

### 2.5 Audit Committee's Statements

(a) The Independent Directors from the Audit Committee have reviewed the terms of the Shareholders' Mandate and are satisfied that the review procedures for the Interested Person Transactions, as well as the reviews to be made periodically by the Audit Committee in relation thereto, are sufficient to ensure that the Interested Person Transactions will be made with the relevant categories of Interested Persons at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Independent Directors from the Audit Committee confirm that the methods and procedures for determining the transaction prices have not changed since the last Shareholders' approval which took place on 27 April 2009.

(b) If, during the periodic reviews by the Audit Committee, the Independent Directors from the Audit Committee are of the view that the established guidelines and procedures are not sufficient to ensure that the Interested Person Transactions will be at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will revert to Shareholders for a fresh mandate based on new guidelines and procedures for transactions with Interested Persons.

## 3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders in the capital of the Company as at the Latest Practicable Date are as follows:-

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| | Number of Shares | % | Number of Shares | % |
| **Directors** | | | | |
| Chua Beng Kuang | 35,319,000 | 7.85 | - | - |
| Chua Meng Hua | 36,267,500 | 8.06 | - | - |
| Yong Thiam Fook | 256,000 | 0.06 | - | - |
| Sameer Y. Khan | 100,000 | 0.02 | - | - |
| Goh Chee Wee | 400,000 | 0.09 | - | - |
| Dr Wong Chiang Yin | 100,000 | 0.02 | - | - |
| **Substantial Shareholders (other than Director)** | | | | |
| Labroy Marine Pte. Ltd. | 145,712,625 | 32.38 | - | - |
| Dubai World Holdings Limited(1) | - | - | 145,712,625 | 32.38 |
| Drydocks World LLC(1) | - | - | 145,712,625 | 32.38 |
| Dry Docks & Maritime World LLC(1) | - | - | 145,712,625 | 32.38 |
| Drydock World – Southeast Asia Pte. Limited | | | 145,712,625 | 32.38 |
| Chua Beng Yong | 25,319,500 | 5.63 | - | - |
| Chua Beng Hock | 25,319,500 | 5.63 | - | - |

Note:

[1] Dubai World Holdings Limited, Drydocks World LLC, Dry Docks & Maritime World LLC, and Drydock World – Southeast Asia Pte. Limited are deemed to have an interest in 145,712,625 shares held by Labroy Marine Pte. Ltd.

In the event that any of the above Directors and Substantial Shareholders is interested in any Interested Person Transaction, he will abstain from reviewing and/or approving that particular transaction.

## 4. APPROVALS AND RESOLUTIONS

Shareholders' approval for the proposed renewal of the Shareholders' Mandate is sought at the AGM. The resolution relating to the proposed renewal of the Shareholders' Mandate is contained in the Notice of AGM as Ordinary Resolution 8.

As Rule 919 of the Listing Manual requires that interested persons must not vote on any shareholders' resolution approving any mandate in respect of any interested person transactions, each of the interested persons referred to in paragraph 2.1 of this Addendum together with their associates who are shareholders of the Company shall abstain from voting in respect of Ordinary Resolution 8 at the AGM to be held on 23 April 2010.

## 5. DIRECTORS' RECOMMENDATION

The Directors who are considered independent for the purposes of the proposed renewal of the Shareholders' Mandate are Mr Yong Thiam Fook, Mr Goh Chee Wee and Dr Wong Chiang Yin (the "Independent Directors"). The Independent Directors are of the opinion that the entry into the Interested Person Transactions by the Group in the ordinary course of business will enhance the efficiency of the Group and is in the best interests of the Company. For reasons set out in paragraph 2.3 of this Addendum, the Independent Directors recommend that Shareholders vote in favour of Ordinary Resolution 8, being the resolution relating to the proposed renewal of the Shareholders' Mandate at the forthcoming AGM.

## 6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of the preparation of this Addendum) collectively and individually accept responsibility for the accuracy of the information contained in this Addendum and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, the facts stated and opinions expressed in this Addendum are fair and accurate in all material respects as at the Latest Practicable Date and that there are no material facts the omission of which would make any statement in this Addendum misleading in any material respect.

## 7. INSPECTION OF DOCUMENTS

Copies of the audited financial statements of the Company for the last two financial years ended 31 December 2008 and 31 December 2009 are available for inspection at the registered office of the Company at during normal business hours from the date of the Addendum up to the date of AGM.

Yours faithfully
For and on behalf of the Board of Directors

Chua Beng Kuang
Executive Chairman

## GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

### Scope

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its subsidiaries (other than a subsidiary that is listed on an approved stock exchange) or associated companies (other than an associated company that is listed on an approved stock exchange or over which the listed group and/or its interested person(s) has no control) proposes to enter into a counter-party who is an interested person of the listed company.

### Definitions

An "interested person" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

An "associate" means:-

(a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:-

   (i) his immediate family;

   (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and

   (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more

(b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or it's a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

An "associated company" means a company in which at least 20% but not more than 50% of its shares are held by the listed company or the group.

A "controlling shareholder" means a person who holds (directly or indirectly) 15% or more of the nominal amount of all voting shares in the listed company or one who in fact exercises control over its listed company.

### General Requirements

Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and are hence excluded from the ambit of Chapter 9 of the Listing Manual, immediate announcement, or, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated NTA), are reached or exceeded. In particular, shareholders' approval is required where:

(a) the value of such transaction is equal to or exceeds 5% of the latest audited consolidated NTA of the group; or

(b) the value of such transaction when aggregated with the value of all other transactions previously entered into with the same interested person in the same financial year of the group is equal to or exceeds 5% of the latest audited consolidated NTA of the group. However, a transaction which has been approved by shareholders, or is the subject approved by shareholders, need not be included in any subsequent aggregation.

Immediate announcement of a transaction is required where:

(a) the value of such transaction is equal to or exceeds 3% of the latest audited consolidated NTA of the group, or

(b) the value of such transaction when aggregated with the value of all other transactions previously entered into with the same interested person in the same financial year of the group is equal to or exceeds 3% of the latest audited consolidated NTA of the group.

The above requirements for immediate announcement and for shareholders' approval do not apply to any transaction below $100,000.

**General Mandate**

A listed company may seek a general mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.

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**BENG KUANG MARINE LIMITED**
**(Registration No.: 199400196M)**
(Incorporated in the Republic of Singapore)

# PROXY FORM

## ANNUAL GENERAL MEETING

**Important:**

1. For investors who have used their CPF monies to buy the Shares, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We*, ______________________________ (Name) NRIC/Passport No.* ______________________ of
______________________________________________________________ (Address)

being a shareholder/shareholders of **BENG KUANG MARINE LIMITED** (the "Company") hereby appoint :

| **Name** | **NRIC/Passport Number** | **Proportion of Shareholdings** | |
|---|---|---|---|
| | | **Number of Shares** | **%** |
| **Address** | | | |

and/or *

| **Name** | **NRIC/Passport Number** | **Proportion of Shareholdings** | |
|---|---|---|---|
| | | **Number of Shares** | **%** |
| **Address** | | | |

or failing him/her, the Chairman of the Annual General Meeting (the "**AGM**") of the Company as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf and, if necessary, to demand a poll at the Annual General Meeting (the "**AGM**") of the Company to be held at Shipyard Road, Singapore 628141 on Friday, 23 April 2010 at 11.00 a.m., and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Ordinary Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

| No. | Resolutions | For | Against |
|---|---|---|---|
| 1. | Adoption of Directors' Report and Audited Accounts for the financial year ended 31 December 2009 | | |
| 2. | Payment of proposed first and final dividend | | |
| 3. | Re-election of Mr Chua Meng Hua as a Director | | |
| 4. | Re-election of Mr Sameer Y. Khan as a Director | | |
| 5. | Approval of Directors' Fees for the financial year ended 31 December 2009 | | |
| 6. | Appointment of Nexia TS Public Accounting Corporation in place of the retiring Auditors, Ernst & Young LLP as Auditors and authorise the Directors to fix their remuneration | | |
| 7. | Authority to allot and issue of shares | | |
| 8. | Renewal of Shareholders' Mandate for Interested Person Transactions | | |
| 9. | Authority to issue shares at a discount | | |

* Delete accordingly

Dated this ____________ day of ______________ 2010.

| Total Number of Shares held |
|---|
| |

________________________________
Signature(s) of Shareholder(s)/or
Common Seal of Corporate Shareholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

**Notes :**

1 1.Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. The instrument appointing the a proxy or proxies must be deposited at the Company's registered office at 55 Shipyard Road, Singapore 628141, not less than 48 hours before the time appointed for the meeting.

4. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Common Seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose Shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register 48 hours before the time appointed for holding the meeting, as certified by the Depository to the Company.

**BENG KUANG MARINE LIMITED**

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